

1 AN ACT relating to retirement.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
4 READ AS FOLLOWS:

5 *(1) Effective July 1, 2017, the administration of the County Employees Retirement*
6 *System shall be transferred from the Kentucky Retirement Systems board of*
7 *trustees to the County Employees Retirement System board of trustees.*

8 *(2) Notwithstanding any other provision of statute to the contrary, the board of*
9 *trustees of the County Employees Retirement System shall have the authority to:*

10 *(a) Contract for a period not to exceed four (4) years with the Kentucky*
11 *Retirement Systems for the administration of benefit services, financial*
12 *services, legal services, investment services, information technology*
13 *services, and any other administrative services as needed and as determined*
14 *by the board of trustees of the County Employees Retirement System. The*
15 *Kentucky Retirement Systems board of trustees or staff shall have no*
16 *authority to deny, limit, or withhold any administrative services to the*
17 *County Employees Retirement System and shall work cooperatively with the*
18 *County Employees Retirement System board of trustees or staff to*
19 *effectively transfer administrative responsibility of the County Employees*
20 *Retirement System. The cost to the County Employees Retirement System*
21 *for contracting administrative services as authorized by this subsection shall*
22 *not exceed the actual costs for providing the services and shall be paid*
23 *directly from the County Employees Retirement System pension fund;*

24 *(b) Utilize any data or computer software maintained or developed for the*
25 *Kentucky Retirement Systems to effectuate the separation of the County*
26 *Employees Retirement System from the Kentucky Retirement Systems; and*

27 *(c) Utilize any building or facilities of the Kentucky Retirement Systems for*

1 *board meetings, committee meetings, or as needed by the County Employees*
 2 *Retirement System board of trustees or staff until July 1, 2018.*

3 *(3) The board of trustees of the County Employees Retirement System and the board*
 4 *of trustees of the Kentucky Retirement Systems shall jointly retain the services of*
 5 *a consultant to determine a method to equitably divide any assets held jointly*
 6 *between the County Employees Retirement System, the Kentucky Employees*
 7 *Retirement System, and the State Police Retirement System as of June 30, 2017.*
 8 *The respective boards shall rely upon the consultant's recommendations to*
 9 *ensure each system receives an equitable distribution of jointly owned assets.*

10 ➔Section 2. KRS 78.510 is amended to read as follows:

11 As used in KRS 78.510 to 78.852, unless the context otherwise requires:

- 12 (1) "System" means the County Employees Retirement System;
- 13 (2) "Board" means the board of trustees of the system as provided in *Section 46 of this*
 14 *Act*~~[KRS 78.780];~~
- 15 (3) "County" means any county, or nonprofit organization created and governed by a
 16 county, counties, or elected county officers, sheriff and his employees, county clerk
 17 and his employees, circuit clerk and his deputies, former circuit clerks or former
 18 circuit clerk deputies, or political subdivision or instrumentality, including school
 19 boards, *cities*, charter county *governments*~~[government]~~,~~[—or]~~ urban-county
 20 *governments, consolidated local governments, or unified local*
 21 *governments*~~[government]~~ participating in the system by order appropriate to its
 22 governmental structure, as provided in KRS 78.530, and if the board is willing to
 23 accept the agency, organization, or corporation, the board being hereby granted the
 24 authority to determine the eligibility of the agency to participate;
- 25 (4) "School board" means any board of education participating in the system by order
 26 appropriate to its governmental structure, as provided in KRS 78.530, and if the
 27 board is willing to accept the agency or corporation, the board being hereby granted

- 1 the authority to determine the eligibility of the agency to participate;
- 2 (5) "Examiner" means the medical examiners as provided in Section 30 of this
3 Act~~[KRS 61.665]~~;
- 4 (6) "Employee" means every regular full-time appointed or elective officer or employee
5 of a participating county and the coroner of a participating county, whether or not he
6 qualifies as a regular full-time officer. The term shall not include persons engaged
7 as independent contractors, seasonal, emergency, temporary, and part-time workers.
8 In case of any doubt, the board shall determine if a person is an employee within the
9 meaning of KRS 78.510 to 78.852;
- 10 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected
11 officials of a county, or any authority of the county having the power to appoint or
12 elect an employee to office or employment in the county;
- 13 (8) "Member" means any employee who is included in the membership of the system or
14 any former employee whose membership has ceased~~[not been terminated]~~ under
15 Section 4 of this Act~~[KRS 61.535]~~;
- 16 (9) "Service" means the total of current service and prior service as defined in this
17 section;
- 18 (10) "Current service" means the number of years and months of employment as an
19 employee, on and after July 1, 1958, for which creditable compensation is paid and
20 employee contributions deducted, except as otherwise provided;
- 21 (11) "Prior service" means the number of years and completed months, expressed as a
22 fraction of a year, of employment as an employee, prior to July 1, 1958, for which
23 creditable compensation was paid. An employee shall be credited with one (1)
24 month of prior service only in those months he received compensation for at least
25 one hundred (100) hours of work. Twelve (12) months of current service in the
26 system shall be required to validate prior service;
- 27 (12) "Accumulated contributions" means the sum of all amounts deducted from the

1 compensation of a member and credited to his individual account in the members'
 2 account, including employee contributions picked up after August 1, 1982, pursuant
 3 to KRS 78.610(4), together with interest credited on the amounts, and any other
 4 amounts the member shall have contributed thereto, including interest credited
 5 thereon. For members who begin participating on or after September 1, 2008,
 6 "accumulated contributions" shall not include employee contributions that are
 7 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the
 8 funds established in KRS ~~[16.510, 61.515, and]~~ 78.520, as prescribed by subsection
 9 (3)(b) of Section 40 of this Act~~[KRS 61.702(2)(b)]~~;

10 (13) "Creditable compensation":

11 (a) Means all salary, wages, and fees, including payments for compensatory time
 12 except as limited by paragraph (c) of this subsection, paid to the employee as
 13 a result of services performed for the employer or for time during which the
 14 member is on paid leave, which are includable on the member's federal form
 15 W-2 wage and tax statement under the heading "wages, tips, other
 16 compensation", including employee contributions picked up after August 1,
 17 1982, pursuant to KRS 78.610(4). The creditable compensation of fee
 18 officers who receive salary, fees, maintenance, or other perquisites as a
 19 result of their official duties is the gross amount received decreased by the
 20 cost of salary paid deputies and clerks and the cost of office supplies and
 21 other official expenses;

22 (b) Includes:~~[A]~~

23 1. Lump-sum bonuses~~[bonus]~~, severance pay, or employer-provided
 24 payments~~[payment]~~ for purchase of service credit, which~~[shall be~~
 25 ~~included as creditable compensation but]~~ shall be averaged over the
 26 employee's service with the system in which it is recorded if it is equal
 27 to or greater than one thousand dollars (\$1,000);~~[]~~

1 2. Cases where~~[H]~~ compensation includes maintenance and other
 2 perquisites, **but** the board shall fix the value of that part of the
 3 compensation not paid in money;~~[-]~~

4 3. Amounts which are not includable in the member's gross income by
 5 virtue of the member having taken a voluntary salary reduction
 6 provided for under applicable provisions of the Internal Revenue
 7 Code; and

8 4. Elective amounts for qualified transportation fringes paid or made
 9 available on or after January 1, 2001, for calendar years on or after
 10 January 1, 2001, that are not includable in the gross income of the
 11 employee by reason of 26 U.S.C. sec. 132(f)(4); and

12 (c) Excludes:

13 1. Living allowances, expense reimbursements, lump-sum payments for
 14 accrued vacation leave, sick leave except as provided in KRS 78.616(5),
 15 and other items determined by the board;~~[- shall be excluded. Creditable~~
 16 ~~compensation shall also include amounts that are not includable in the~~
 17 ~~member's gross income by virtue of the member having taken a~~
 18 ~~voluntary salary reduction provided for under applicable provisions of~~
 19 ~~the Internal Revenue Code. Creditable compensation shall also include~~
 20 ~~elective amounts for qualified transportation fringes paid or made~~
 21 ~~available on or after January 1, 2001, for calendar years on or after~~
 22 ~~January 1, 2001, that are not includable in the gross income of the~~
 23 ~~employee by reason of 26 U.S.C. sec. 132(f)(4).]~~

24 2. For employees who begin participating on or after September 1, 2008,
 25 lump-sum~~[creditable compensation shall not include]~~ payments for
 26 compensatory time;~~[-]~~

27 3. ~~[Creditable compensation shall not include]~~Training incentive payments

1 for city officers paid as set out in KRS 64.5277 to 64.5279; ~~and~~;

2 4. For employees who begin participating on or after August 1, 2016,
3 ~~[creditable compensation shall exclude]~~ nominal fees paid for services
4 as a volunteer;

5 (14) "Final compensation" means:

6 (a) For a member who begins participating before September 1, 2008, who is ~~not~~
7 ~~]~~employed in a nonhazardous~~[hazardous]~~ position, ~~[as provided in KRS~~
8 ~~61.592,~~ the creditable compensation of the member during the five (5) fiscal
9 years he was paid at the highest average monthly rate divided by the number
10 of months of service credit during that five (5) year period multiplied by
11 twelve (12). The five (5) years may be fractional and need not be consecutive.
12 If the number of months of service credit during the five (5) year period is less
13 than forty-eight (48), one (1) or more additional fiscal years shall be used;

14 (b) For a member who is ~~not~~ employed in a nonhazardous~~[hazardous]~~ position,
15 ~~[as provided in KRS 61.592,~~ whose effective retirement date is between
16 August 1, 2001, and January 1, 2009, and whose total service credit is at least
17 twenty-seven (27) years and whose age and years of service total at least
18 seventy-five (75), final compensation means the creditable compensation of
19 the member during the three (3) fiscal years the member was paid at the
20 highest average monthly rate divided by the number of months of service
21 credit during that three (3) year period multiplied by twelve (12). The three (3)
22 years may be fractional and need not be consecutive. If the number of months
23 of service credit during the three (3) year period is less than twenty-four (24),
24 one (1) or more additional fiscal years shall be used~~]. Notwithstanding the~~
25 ~~provision of KRS 61.565, the funding for this paragraph shall be provided~~
26 ~~from existing funds of the retirement allowance];~~

27 (c) For a member who begins participating before September 1, 2008, who is

1 employed in a hazardous position, ~~as provided in KRS 61.592,~~ the creditable
2 compensation of the member during the three (3) fiscal years he was paid at
3 the highest average monthly rate divided by the number of months of service
4 credit during that three (3) year period multiplied by twelve (12). The three (3)
5 years may be fractional and need not be consecutive. If the number of months
6 of service credit during the three (3) year period is less than twenty-four (24),
7 one (1) or more additional fiscal years shall be used;

8 (d) For a member who begins participating on or after September 1, 2008, but
9 prior to January 1, 2014, who is ~~not~~ employed in a
10 nonhazardous~~hazardous~~ position, ~~as provided in KRS 61.592,~~ the
11 creditable compensation of the member during the five (5) complete fiscal
12 years immediately preceding retirement divided by five (5). Each fiscal year
13 used to determine final compensation must contain twelve (12) months of
14 service credit. If the member does not have five (5) complete fiscal years that
15 each contain twelve (12) months of service credit, then one (1) or more
16 additional fiscal years shall be used; or

17 (e) For a member who begins participating on or after September 1, 2008, but
18 prior to January 1, 2014, who is employed in a hazardous position, ~~as~~
19 ~~provided in KRS 61.592,~~ the creditable compensation of the member during
20 the three (3) complete fiscal years he was paid at the highest average monthly
21 rate divided by three (3). Each fiscal year used to determine final
22 compensation must contain twelve (12) months of service credit;

23 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
24 calculated during the twelve (12) month period immediately preceding the
25 member's effective retirement date, and shall include employee contributions picked
26 up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to
27 the system by the employer and the following equivalents shall be used to convert

- 1 the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
 2 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half
 3 (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve
 4 (12) months, one (1) year;
- 5 (16) "Retirement allowance" means the retirement payments to which a member is
 6 entitled;
- 7 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
 8 basis of the actuarial tables adopted by the board. In cases of disability retirement,
 9 the options authorized by Section 24 of this Act~~[KRS 61.635]~~ shall be computed by
 10 adding ten (10) years to the age of the member, unless the member has chosen the
 11 Social Security adjustment option as provided for in subsection (8) of Section 24 of
 12 this Act~~[KRS 61.635(8)]~~, in which case the member's actual age shall be used. For
 13 members who begin participating in the system prior to January 1, 2014, no
 14 disability retirement option shall be less than the same option computed under early
 15 retirement;
- 16 (18) "Normal retirement date", unless otherwise provided in KRS 78.510 to 78.852,
 17 means:
- 18 (a) For a member with service in a nonhazardous position, the sixty-fifth
 19 birthday of a member~~[unless otherwise provided in KRS 78.510 to 78.852]~~;
- 20 (b) For a member with service in a hazardous position who begins participating
 21 before September 1, 2008, the first day of the month following a member's
 22 fifty-fifth birthday; or
- 23 (c) For a member with service in a hazardous position who begins participating
 24 on or after September 1, 2008, the first day of the month following a
 25 member's sixtieth birthday;
- 26 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
 27 following June 30, which shall also be the plan year. The "fiscal year" shall be the

1 limitation year used to determine contribution and benefits limits as set out in 26
2 U.S.C. sec. 415;

3 (20) "Agency reporting official" means the person designated by the participating
4 employer~~[agency]~~ who shall be responsible for forwarding all employer and
5 employee contributions and a record of the contributions to the system and for
6 performing other administrative duties pursuant to the provisions of KRS 78.510 to
7 78.852;

8 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean
9 all positions that average one hundred (100) or more hours per month, determined
10 by using the number of hours actually worked in a calendar or fiscal year, or eighty
11 (80) or more hours per month in the case of noncertified employees of school
12 boards, determined by using the number of hours actually worked in a calendar or
13 school year, unless otherwise specified, except:

14 (a) Seasonal positions, which although temporary in duration, are positions which
15 coincide in duration with a particular season or seasons of the year and that
16 may recur regularly from year to year, in which case the period of time shall
17 not exceed nine (9) months, except for employees of school boards, in which
18 case the period of time shall not exceed six (6) months;

19 (b) Emergency positions that are positions that do not exceed thirty (30) working
20 days and are nonrenewable;

21 (c) Temporary, also referred to as probationary, positions that are positions of
22 employment with a participating agency for a period of time not to exceed
23 twelve (12) months and not renewable; or

24 (d) Part-time positions that are positions that may be permanent in duration, but
25 that require less than a calendar or fiscal year average of one hundred (100)
26 hours of work per month, determined by using the number of months actually
27 worked within a calendar or fiscal year, in the performance of duty, except in

1 case of noncertified employees of school boards, the school term average shall
2 be eighty (80) hours of work per month, determined by using the number of
3 months actually worked in a calendar or school year, in the performance of
4 duty;

5 (22) "Alternate participation plan" means a method of participation in the system as
6 provided for by KRS 78.530(3);

7 (23) "Retired member" means any former member receiving a retirement allowance or
8 any former member who has on file at the retirement office the necessary
9 documents for retirement benefits and is no longer contributing to the system;

10 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
11 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
12 pay. The rate shall be certified by the employer;

13 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
14 member in accordance with Sections 19 or 41 of this Act~~[KRS 61.542 or 61.705]~~ to
15 receive any available benefits in the event of the member's death. As used in
16 Section 40 of this Act~~[KRS 61.702]~~, beneficiary shall not mean an estate, trust, or
17 trustee;

18 (26) "Recipient" means the retired member, the person or persons designated as
19 beneficiary by the member and drawing a retirement allowance as a result of the
20 member's death, or a dependent child drawing a retirement allowance. An alternate
21 payee of a qualified domestic relations order shall not be considered a recipient,
22 except for purposes of Section 38 of this Act~~[KRS 61.623]~~;

23 (27) "Person" means a natural person;

24 (28) "School term or year" means the twelve (12) months from July 1 through the
25 following June 30;

26 (29) "Retirement office" means the County Employees Retirement System~~[Kentucky~~
27 ~~Retirement Systems]~~ office building in Frankfort;

- 1 (30) "Vested" for purposes of determining eligibility for purchasing service credit
 2 under Section 10 of this Act means the employee has at least forty-eight (48)
 3 months of service if age sixty-five (65) or older or at least sixty (60) months of
 4 service if under the age of sixty-five (65)~~["Delayed contribution payment" means~~
 5 ~~an amount paid by an employee for current service obtained under KRS 61.552. The~~
 6 ~~amount shall be determined using the same formula in KRS 61.5525, except the~~
 7 ~~determination of the actuarial cost for classified employees of a school board shall~~
 8 ~~be based on their final compensation, and the payment shall not be picked up by the~~
 9 ~~employer. A delayed contribution payment shall be deposited to the member's~~
 10 ~~account and considered as accumulated contributions of the individual member. In~~
 11 ~~determining payments under this subsection, the formula found in this subsection~~
 12 ~~shall prevail over the one found in KRS 212.434];~~
- 13 (31) "Participating" means an employee is currently earning service credit in the system
 14 as provided in KRS 78.615;
- 15 (32) "Month" means a calendar month;
- 16 (33) "Membership date" means the date upon which the member began participating in
 17 the system as provided in KRS 78.615;
- 18 (34) "Participant" means a member, as defined by subsection (8) of this section, or a
 19 retired member, as defined by subsection (23) of this section;
- 20 (35) "Qualified domestic relations order" means any judgment, decree, or order,
 21 including approval of a property settlement agreement, that:
- 22 (a) Is issued by a court or administrative agency; and
- 23 (b) Relates to the provision of child support, alimony payments, or marital
 24 property rights to an alternate payee;
- 25 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
 26 participant, who is designated to be paid retirement benefits in a qualified domestic
 27 relations order;

- 1 (37) "Accumulated employer credit" means the employer pay credit deposited to the
2 member's account and interest credited on such amounts as provided by Section 21
3 and 23 of this Act~~[KRS 16.583 and 61.597]~~;
- 4 (38) "Accumulated account balance" means:
- 5 (a) For members who began participating in the system prior to January 1, 2014,
6 the member's accumulated contributions; or
- 7 (b) For members who began participating in the system on or after January 1,
8 2014, in the hybrid cash balance plan as provided by Sections 21 and 23 of
9 this Act~~[KRS 16.583 and 61.597]~~, the combined sum of the member's
10 accumulated contributions and the member's accumulated employer credit;
- 11 (39) "Volunteer" means an individual who:
- 12 (a) Freely and without pressure or coercion performs hours of service for an
13 employer participating in the system~~[one (1) of the systems administered by~~
14 ~~Kentucky Retirement Systems]~~ without receipt of compensation for services
15 rendered, except for reimbursement of actual expenses, payment of a nominal
16 fee to offset the costs of performing the voluntary services, or both; and
- 17 (b) If a retired member, does not become an employee, leased employee, or
18 independent contractor of the employer for which he or she is performing
19 volunteer services for a period of at least twenty-four (24) months following
20 the retired member's most recent retirement date;~~[and]~~
- 21 (40) "Nominal fee" means compensation earned for services as a volunteer that does not
22 exceed five hundred dollars (\$500) per month. Compensation earned for services as
23 a volunteer from more than one (1) participating employer during a month shall be
24 aggregated to determine whether the compensation exceeds the five hundred dollars
25 (\$500) per month maximum provided by this subsection;
- 26 (41) "Hazardous position" means a position that meets the requirements of Section 6
27 of this Act and has been approved by the board as hazardous;

- 1 (42) "Nonhazardous position" means a position that does not meet the requirements
2 of Section 6 of this Act and has not been approved by the board as a hazardous
3 position;
- 4 (43) "Level-percentage-of-payroll amortization method" means a method of
5 determining the annual amortization payment on the unfunded actuarial accrued
6 liability as expressed as a percentage of payroll over a set period of years. Under
7 this method, the percentage of payroll shall be projected to remain constant for
8 all years remaining in the set period and the unfunded actuarially accrued
9 liability shall be projected to be fully amortized at the conclusion of the set
10 period;
- 11 (44) "Increment" means twelve (12) months of service credit which are purchased.
12 The twelve (12) months need not be consecutive. The final increment may be less
13 than twelve (12) months;
- 14 (45) "Last day of paid employment" means the last date employer and employee
15 contributions are required to be reported in accordance with Section 8 of this Act
16 to the retirement office in order for the employee to receive current service credit
17 for the month. Last day of paid employment does not mean a date the employee
18 receives payment for accrued leave, whether by lump sum or otherwise, if that
19 date occurs twenty-four (24) or more months after previous contributions;
- 20 (46) "Objective medical evidence" means reports of examinations or treatments;
21 medical signs which are anatomical, physiological, or psychological
22 abnormalities that can be observed; psychiatric signs which are medically
23 demonstrable phenomena indicating specific abnormalities of behavior, affect,
24 thought, memory, orientation, or contact with reality; or laboratory findings
25 which are anatomical, physiological, or psychological phenomena that can be
26 shown by medically acceptable laboratory diagnostic techniques, including but
27 not limited to chemical tests, electrocardiograms, electroencephalograms, X-rays,

1 and psychological tests;

2 (47) "Hazardous disability" as used in KRS 78.510 to 78.852 means a disability which
3 results in an employee's total incapacity to continue as an employee in a
4 hazardous position, but the employee is not necessarily deemed to be totally and
5 permanently disabled to engage in other occupations for remuneration or profit;

6 (48) "Act in line of duty" means:

7 (a) For an employee in a nonhazardous position, shall mean a "duty-related
8 injury" as provided in KRS 61.621;

9 (b) For an employee in a hazardous position, an act occurring which was
10 required in the performance of the principal duties of the position as
11 defined by the job description;

12 (49) "Dependent child" means a child in the womb and a natural or legally adopted
13 child of the member who has neither attained age eighteen (18) nor married or
14 who is an unmarried full-time student who has not attained age twenty-two (22);
15 and

16 (50) "Normal retirement age" means the age at which the member meets the
17 requirements for his or her normal retirement date as provided by subsection (18)
18 of this section.

19 ➔Section 3. KRS 78.535 is amended to read as follows:

20 Notwithstanding any other provision of KRS 78.510 to 78.852 to the contrary:

21 (1) For purposes of this section:

22 (a) "Active member" means a member who is participating in the system;

23 (b) "Employer" means the governing body of a county as defined by KRS
24 78.510;

25 (c) "Employer's effective cessation date" means the last day of the system's
26 plan year in the year in which the employer has elected to cease
27 participation in the system, provided the employer has met the requirements

1 of this section and has given the system sufficient notice as provided by
2 administrative regulations promulgated by the system; and

3 (d) "Inactive member" means a member who is not participating with the
4 system.

5 (2) Any employer participating in the County Employees Retirement System on July
6 1, 2015, may:

7 (a) If the employer is a nonstock nonprofit corporation organized under KRS
8 Chapter 273, voluntarily cease participation in the system subject to the
9 requirements and restrictions of this section; or

10 (b) Be required to involuntarily cease participation in the system under the
11 provisions of this section if the board has determined the employer is no
12 longer qualified to participate in a governmental plan or has failed to
13 comply with the provisions of KRS 78.510 to 78.852.

14 (3) (a) If an employer desires to voluntarily cease participation in the County
15 Employees Retirement System as provided by subsection (2)(a) of this
16 section:

17 1. The employer shall adopt a resolution requesting to cease
18 participation in the system and shall submit the resolution to the
19 board for its approval;

20 2. The cessation of participation in the system shall apply to all
21 employees of the employer;

22 3. The employer shall pay for all administrative costs of an actuarial
23 study to be completed by the County Employees Retirement System
24 consulting actuary and for any other administrative costs for
25 discontinuing participation in the system as determined by the board
26 and as provided by this section;

27 4. The employer shall provide an alternative retirement program for

- 1 employees who will no longer be covered by the system, which may
2 include a voluntary defined contribution plan; and
- 3 5. The employer shall pay to the system the full actuarial cost of the
4 benefits accrued by its current and former employees in the system as
5 determined separately for the pension fund and the insurance fund by
6 the actuarial study required by subparagraph 3. of this paragraph.
7 The full actuarial cost shall not include any employee who seeks to
8 transfer his or her account balance to the alternative retirement
9 program established pursuant to subparagraph 4. of this paragraph
10 within sixty (60) days of the employer's effective cessation date. An
11 employee's election to transfer his or her account balance within sixty
12 (60) days of the employer's effective cessation date is an irrevocable
13 waiver of the right to obtain service credits in the system for the time
14 worked for the employer ceasing participation. The full actuarial cost
15 may be paid by lump-sum payment or, if approved by the board, in
16 installment payments to the system. The actuarial cost shall be fixed,
17 and the employer shall not be subject to any increases or subsequent
18 adjustments, once the lump sum is paid or the first installment
19 payment is made. If the employer elects to pay the full actuarial cost in
20 installment payments, the employer shall, as determined by the board:
- 21 a. Pay installment payments over a time period determined by the
22 board, not to exceed twenty (20) years;
- 23 b. Be charged interest over the life of the installment period, at the
24 actuarially assumed rate of return; and
- 25 c. Provide adequate security in any relevant real estate, chattel
26 paper, deposit accounts, documents, goods covered by
27 documents, instruments, investment property, letters of credit

1 rights, and money. In order to ensure security provided is
2 adequate:

3 i. A detailed financing statement shall be provided to the
4 County Employees Retirement System board listing all
5 assets to be used as security and the value certified by a
6 licensed attorney;

7 ii. Security interest shall be a perfected interest in accordance
8 with provisions set forth in KRS Chapter 355 and subject to
9 approval of the board; and

10 iii. The perfected security interest shall attach until the
11 amount owed is paid in full.

12 (b) If the board determines an employer must involuntarily cease participation
13 in the system as provided by subsection (2)(b) of this section:

14 1. The cessation of participation in the system shall apply to all
15 employees of the employer;

16 2. The employer shall pay for all administrative costs of an actuarial
17 study to be completed by the County Employees Retirement System
18 consulting actuary and for any other administrative costs for
19 discontinuing participation in the system as determined by the board
20 and as provided by this section; and

21 3. The employer shall pay to the system the full actuarial cost of the
22 benefits accrued by its current and former employees in the system as
23 determined separately for the pension fund and the insurance fund by
24 the actuarial study required by subparagraph 2. of this paragraph.
25 The full actuarial cost may be paid by lump-sum payment, or if
26 approved by the board, in installment payments to the system. The
27 actuarial cost shall be fixed, and the employer shall not be subject to

1 any increases or subsequent adjustments, once the lump sum is paid
2 or the first installment payment is made. If the employer elects to pay
3 the full actuarial cost in installment payments, the employer shall, as
4 determined by the board:

5 a. Pay installment payments over a time period determined by the
6 board, not to exceed twenty (20) years;

7 b. Be charged interest over the life of the installment period at the
8 actuarially assumed rate of return; and

9 c. Provide adequate security in any relevant real estate, chattel
10 paper, deposit accounts, documents, goods covered by
11 documents, instruments, investment property, letters of credit
12 rights, and money. In order to ensure security provided is
13 adequate:

14 i. A detailed financing statement shall be provided to the
15 County Employees Retirement System board listing all
16 assets to be used as security and the value certified by a
17 licensed attorney;

18 ii. Security interest shall be a perfected interest in accordance
19 with provisions set forth in KRS Chapter 355 and subject to
20 approval of the board; and

21 iii. The perfected security interest shall attach until the
22 amount owed is paid in full.

23 (4) Any employee hired on or after the employer's effective cessation date by an
24 employer who has ceased participation in the system as provided by this section
25 shall not, regardless of his or her membership date in the County Employees
26 Retirement System, be eligible to participate in the County Employees Retirement
27 System through the employer that ceased participation for the duration of his or

1 her employment with that employer.

2 (5) If an employer has ceased participation in the system as provided by this section:

3 (a) The rights of recipients and the vested rights of inactive members accrued
4 as of the employer's effective cessation date shall not be impaired or
5 reduced in any manner as a result of the employer ceasing participation in
6 the system; and

7 (b) Employees of the employer ceasing participation shall accrue benefits
8 through the employer's effective cessation date but shall not accrue any
9 additional benefits in the the County Employees Retirement System,
10 including earning years of service credit through the ceased employer, after
11 the employer's effective cessation date for as long as they remain employed
12 by the employer. The day after the employer's effective cessation date, each
13 employee described by this paragraph shall be considered an inactive
14 member with respect to his or her employment with the employer that
15 ceased participation and, subject to the provisions and limitations of KRS
16 78.510 to 78.852, shall:

17 1. Retain his or her accounts with the County Employees Retirement
18 System and have those accounts credited with interest in accordance
19 with KRS 78.510 to 78.852;

20 2. Retain his or her vested rights in accordance with paragraph (a) of
21 this subsection;

22 3. Be eligible to take a refund of his or her accumulated account balance
23 in accordance with Section 35 of this Act or any other available
24 distribution if eligible; and

25 4. Except for federal tax purposes, be treated as if his or her employment
26 terminated as of the employer's effective cessation date, unless
27 otherwise prohibited by applicable federal tax authority.

1 (6) For purposes of this section, the full actuarial cost shall be determined by the
2 County Employees Retirement System consulting actuary separately for the
3 pension fund and the insurance fund using the assumptions and methodology
4 established by the system as of the employer's effective cessation date.

5 (7) The system shall promulgate administrative regulations pursuant to KRS Chapter
6 13A to administer this section.

7 (8) Any employer who voluntarily ceases participation, or who is required to
8 involuntarily cease participation as provided in this section, shall hold the
9 Commonwealth harmless from damages, attorney's fees and costs from legal
10 claims for any cause of action brought by any member or retired member of the
11 departing employer.

12 ~~[(1) If a participating county fails to fully comply with the provisions of KRS 78.510 to~~
13 ~~78.852, the board may require the county to involuntarily cease participation in the~~
14 ~~system as provided by KRS 61.522.]~~

15 (9)~~[(2)]~~ In lieu of cessation of participation of a county which fails to fully comply
16 with the provisions of KRS 78.510 to 78.852, the board may file an action in the
17 Franklin Circuit Court to collect money owed and to attach so much of the general
18 fund of the delinquent county as is necessary to achieve full compliance with the
19 provisions of KRS 78.625.

20 (10) The board may:

21 (a) File an action in the Franklin Circuit Court to collect money owed and to
22 attach so much of the general fund or adequate security of the delinquent
23 employer as is necessary to ensure payment of any installment payments
24 owed under this section; and

25 (b) Utilize the provisions of paragraph (3)(b) of Section 13 of this Act or
26 subsection (4) of Section 13 of this Act to ensure employer compliance and
27 payment of any amount payable by an employer under the provisions of this

1 section.

2 ➔ Section 4. KRS 78.540 is amended to read as follows:

3 (1) Membership in the system shall consist of the following:

4 (a)~~(1)~~ All persons who become employees of a participating county after the
5 date the county first participates in the system,~~except a person who did not~~
6 ~~elect membership pursuant to KRS 61.545(3), and~~ except that:

7 1. Mayors and members of city legislative bodies may decline prior to their
8 participation in the system; and

9 2. City managers or other appointed local government executives who
10 participate in a retirement system, other than Social Security, may
11 decline prior to their participation in the system;

12 (b)~~(2)~~ ~~(a)~~ All persons who are employees of a county on the date the county
13 first participates in the system, either in service or on authorized leave from
14 service, and who elect within thirty (30) days next following the county's
15 participation, or in the case of persons on authorized leave, within thirty (30)
16 days of their return to active service, to become members and thereby agree to
17 make contributions as provided in KRS 78.520 to 78.852;

18 (c)~~(b)~~ All persons who are employees of a county who did not elect to
19 participate within thirty (30) days of the date the county first participated in
20 the system or within thirty (30) days of their return to active service and who
21 subsequently elect to participate the first day of a month after the county's date
22 of participation;

23 (d)~~(3)~~ All persons who declined participation as provided by paragraph (a)~~in~~
24 ~~subsection (1)~~ of this subsection~~section~~ and who later elect to participate.
25 Persons who elect to participate under this paragraph~~subsection~~ may
26 purchase service credit for any prior years by paying the amount calculated
27 under paragraph (10)(a) of Section 10 of this Act~~a delayed contribution~~

1 ~~payment~~, provided the person began participating in the system prior to
 2 January 1, 2014. The service shall not be included in the member's total
 3 service for purposes of determining benefits under **Section 40 of this Act**~~[KRS~~
 4 ~~61.702]~~; and

5 ~~(e)~~~~(4)~~ All persons electing coverage in the system under KRS 78.530(3)(d).

6 ~~(2)~~~~(5)~~ The provisions of ~~paragraphs~~~~[subsections]~~ (1)~~(a) to (1)(c)~~ ~~[and (2)]~~ of this
 7 section notwithstanding, cities which participate in the CERS and close existing
 8 local pension systems to new, or all members pursuant to the provisions of KRS
 9 78.530, 95.520, 95.621, or 95.852 shall not be required to provide membership in
 10 the County Employees Retirement System to employees in any employee category
 11 not covered by a city pension system at the date of participation.

12 ~~(3)~~~~(6)~~ Membership in the system shall not include:

13 ~~(a)~~ Persons who are not eligible to participate in the system as provided by
 14 **Section 3 of this Act; or**~~[KRS 61.522 or those]~~

15 ~~(b)~~ Employees who are simultaneously participating in another state-administered
 16 defined benefit plan within Kentucky other than **the County Employees**
 17 **Retirement System**~~[those administered by the Kentucky Retirement Systems,~~
 18 ~~except for employees who have ceased to contribute to one (1) of the state-~~
 19 ~~administered retirement plans as provided in KRS 21.360].~~

20 ~~(4)~~ ~~(a)~~ **The membership of any person in the system shall cease:**

21 **1. Upon withdrawal of his accumulated account balance at or any time**
 22 **after termination of employment, regardless of length of service;**

23 **2. Upon retirement;**

24 **3. Upon death;**

25 **4. For persons hired prior to August 1, 2000, upon termination of**
 26 **employment with prejudice, as defined by paragraph (b) of this**
 27 **subsection; or**

1 5. For persons hired on or after August 1, 2000, upon conviction of a
2 felony relating to the person's employment as provided in paragraph
3 (c) of this subsection.

4 (b) For purposes of KRS 78.510 to 78.852, termination of employment with
5 prejudice shall mean termination as the result of conviction of the member
6 in a court of competent jurisdiction of embezzlement or larceny of public
7 funds or property or malfeasance in office, or the forcing of a member to
8 make restitution for any funds or property criminally taken by the member
9 at the time of termination of employment.

10 (c) Notwithstanding any provision of law to the contrary, an employee hired on
11 or after August 1, 2000, who participates in the system and who is
12 convicted, in any state or federal court of competent jurisdiction, of a felony
13 related to his employment shall forfeit rights and benefits earned under the
14 system, except for the return of his accumulated contributions and interest
15 credited on those contributions. The payment of retirement benefits ordered
16 forfeited shall be stayed pending any appeal of the conviction. If the
17 conviction is reversed on final judgment, no retirement benefit shall be
18 forfeited. The employer shall notify the system when an employee is
19 convicted under the provisions of this subsection.

20 (d) When membership ceases, except in the case of retirement, the member
21 shall thereafter lose all right to any retirement allowance or benefits under
22 KRS 78.510 to 78.852 arising from service prior to the date of such
23 cessation of membership.

24 ➔SECTION 5. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
25 READ AS FOLLOWS:

26 (1) (a) Upon becoming a member of the County Employees Retirement System, the
27 employee and employer shall file at the retirement office, in the form and

1 detail as the board may prescribe, a statement of facts pertaining to the
2 employee and other information the system may require, including but not
3 limited to a record of military service and previous employment with the
4 employer.

5 (b) If the records of the employer employing the member during the time the
6 service was rendered do not substantiate the statement of facts filed by the
7 member, the member shall be notified of any discrepancy. The member
8 shall be advised that he has the responsibility of supplying verification of
9 any unsubstantiated service.

10 (c) At the request of the member, or the beneficiary if the member is deceased,
11 the system shall allow the member or beneficiary, as applicable, to provide
12 additional information in regard to the unverified service. After filing the
13 request, the member or the beneficiary if the member is deceased shall have
14 a reasonable time but no more than six (6) months to provide the additional
15 information to substantiate the unverified service.

16 (2) The system shall prepare and make available upon request to all members, retired
17 members, or beneficiaries, a summary plan description, written in a manner that
18 can be understood by the average person, and sufficiently accurate and
19 comprehensive to reasonably apprise them of their rights and obligations under
20 the provisions of KRS 78.510 to 78.852. The summary plan shall include:

21 (a) The name of the system, the name and address of the executive director, and
22 the name, address, and title of each member of the board of trustees;

23 (b) The name and address of the person designated for the service of legal
24 process;

25 (c) The system's requirements for participation and benefits;

26 (d) A description of retirement benefit calculations in the event of retirement,
27 disablement, and death;

1 (e) A description of retiree health benefits;

2 (f) A reasonable list of circumstances which would result in disqualification,
3 ineligibility, or denial or loss of benefits;

4 (g) The sources of financing retirement and retiree health benefits, and
5 statutory requirements for funding;

6 (h) A statement after each actuarial valuation as to whether funding
7 requirements are being met; and

8 (i) The procedures to be followed in presenting claims for benefits from the
9 system, and the remedies available under the system for the redress of
10 claims which are denied in whole or in part.

11 The system may publish the summary plan description in the form of a paper or
12 electronic comprehensive booklet, or in the form of paper or electronic periodic
13 newsletters which shall incorporate all the information required in the summary
14 plan description within a period of two (2) years. Any changes in statutory
15 requirements or administrative practices which alter the provisions of the plan as
16 described in the summary plan description shall be summarized and published as
17 required in this subsection.

18 ➔SECTION 6. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
19 READ AS FOLLOWS:

20 (1) (a) "Hazardous position" for employees who began participating in the County
21 Employees Retirement System prior to September 1, 2008, means any
22 position whose principal duties involve active law enforcement, including
23 the positions of probation and parole officer, active fire suppression or
24 prevention, correctional officers with duties that routinely and regularly
25 require face-to-face contact with inmates, or other positions, including but
26 not limited to paramedics and emergency medical technicians, with duties
27 that require frequent exposure to a high degree of danger or peril and also

1 require a high degree of physical conditioning; and

2 (b) "Hazardous position" for employees who begin participating in the County
3 Employees Retirement System on or after September 1, 2008, means police
4 officers and firefighters as defined in KRS 61.315(1), paramedics,
5 correctional officers with duties that routinely and regularly require face-to-
6 face contact with inmates, and emergency medical technicians, if:

7 1. The employee's duties require frequent exposure to a high degree of
8 danger or peril and a high degree of physical conditioning; and

9 2. The employee's duties are not primarily clerical or administrative.

10 (2) (a) Each employer may request of the board hazardous coverage for those
11 positions as defined in subsection (1) of this section. Upon request, each
12 employer shall certify to the system, in the manner prescribed by the board,
13 the names of all employees working in a hazardous position as defined in
14 subsection (1) of this section for which coverage is requested. The
15 certification of the employer shall bear the approval of the agent or agency
16 responsible for the budget of the county indicating that the required
17 employer contributions have been provided for in the budget of the
18 employing county. The system shall determine whether the employees whose
19 names have been certified by the employer are working in positions meeting
20 the definition of a hazardous position as provided by subsection (1) of this
21 section.

22 (b) Each employer shall also certify, under penalty of perjury in accordance
23 with KRS Chapter 523, that each employee's actual job duties are
24 accurately reflected in the job description provided to the system. The
25 system shall determine whether the employees whose names have been
26 certified by the employer are working in positions meeting the definition of
27 a hazardous position as defined in subsection (1) of this section.

1 (c) The board shall have the authority to remove any employee from hazardous
2 coverage if the board determines the employee is not working in a
3 hazardous position or if the employee is classified in a hazardous position
4 but has individual job duties that do not meet the definition of a hazardous
5 position or are not accurately reflected in the job descriptions filed by the
6 employer with the system.

7 (3) (a) If the employer participated in the system prior to electing hazardous
8 coverage, the employer may pay to the system the cost of converting the
9 nonhazardous service to hazardous service from the date of participation to
10 the date the payment is made, or the employer may establish a payment
11 schedule for payment of the cost of the hazardous service above that which
12 would be funded within the existing employer contribution rate. The
13 employer may extend the payment schedule to a maximum of thirty (30)
14 years. Payments made by the employer under this subsection shall be
15 deposited to the retirement allowance account of the proper retirement fund
16 and shall not be considered accumulated contributions of the individual
17 members.

18 (b) If the employer elects not to make the additional payment as provided by
19 paragraph (a) of this subsection, the employee may make the lump-sum
20 payment in his own behalf or may pay by increments. Payments made by
21 the employee under this subsection shall not be picked up, as described in
22 KRS 78.610(4), by the employer.

23 (c) If neither the employer nor employee makes the payment, the service prior
24 to hazardous position coverage shall remain nonhazardous.

25 (d) The provisions of this subsection shall not apply to members who begin
26 participating in the system on or after January 1, 2014.

27 (4) Any person employed in a hazardous position shall be required to undergo a

1 thorough medical examination by a licensed physician, and a copy of the medical
 2 report of the physician shall be retained on file by the person's employer and
 3 made available to the system upon request.

4 (5) If doubt exists regarding the benefits payable to a hazardous position employee
 5 under this section, the board shall determine the benefits payable under 78.510 to
 6 78.852.

7 ➔Section 7. KRS 78.610 is amended to read as follows:

8 (1) Each employee shall ~~commencing on August 1, 1990,~~ contribute, for each pay
 9 period for which he receives compensation:~~;~~

10 (a) 1. Five percent (5%) of his creditable compensation *if the employee is*
 11 *participating in a nonhazardous position* ~~unless he did not elect~~
 12 ~~membership pursuant to KRS 61.545(3);~~ or

13 2. *Eight percent (8%) of his creditable compensation if the employee is*
 14 *participating in a hazardous position; and*

15 (b) *The amount specified by paragraph (3)(b) of Section 40 of this Act for*
 16 *employees who begin participating on or after September 1, 2008.*

17 (2) The agency reporting official of a participating county shall cause to be deducted
 18 from the "creditable compensation" of each employee for each and every payroll
 19 period subsequent to the date the county participated in the system the contribution
 20 payable by the member as provided in KRS 78.510 to 78.852. The agency reporting
 21 official shall promptly pay the deducted employee contributions to the system in
 22 accordance with KRS 78.625.

23 (3) The deductions provided for in subsection (2) of this section shall be made
 24 notwithstanding that the minimum compensation provided by law for any employee
 25 shall be reduced thereby. Every employee shall be deemed to consent and agree to
 26 the deductions made as provided in subsection (2) of this section; and payment of
 27 salary or compensation less the deductions shall be a full and complete discharge of

1 all claims for services rendered by the person during the period covered by the
2 payment, except as to any benefits provided by KRS 78.510 to 78.852.

3 (4) Each employer shall, solely for the purpose of compliance with Section 414(h) of
4 the United States Internal Revenue Code, pick up the employee contributions
5 required by this section for all compensation earned after August 1, 1982, and the
6 contributions picked up shall be treated as employer contributions in determining
7 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).
8 These contributions shall not be included as gross income of the employee until the
9 contributions are distributed or made available to the employee. The picked-up
10 employee contribution shall satisfy all obligations to the retirement system satisfied
11 prior to August 1, 1982, by the employee contribution, and the picked-up employee
12 contribution shall be in lieu of an employee contribution. Each employer shall pay
13 these picked-up employee contributions from the same source of funds which is
14 used to pay earnings to the employee. The employee shall have no option to receive
15 the contributed amounts directly instead of having them paid by the employer to the
16 system. Employee contributions picked up after August 1, 1982, shall be treated for
17 all purposes of KRS 78.510 to 78.852 in the same manner and to the same extent as
18 employee contributions made prior to August 1, 1982.

19 (5) The provisions of this section shall not apply to individuals who are not eligible for
20 membership as provided by Section 3 of this Act~~[KRS 61.522.]~~

21 ➔Section 8. KRS 78.615 is amended to read as follows:

22 (1) Employee contributions shall be deducted each payroll period from the creditable
23 compensation of each employee of an employer~~[agency]~~ participating in the system
24 while he is classified as regular full-time as defined in KRS 78.510 unless the
25 person did not elect to become a member as provided by paragraph (1)(b) and (c)
26 of Section 4 of this Act~~[KRS 61.545(3) or by KRS 78.540(2)]~~ or is not eligible to
27 participate in the system as provided by Section 3 of this Act~~[KRS 61.522.]~~. After

1 August 1, 1982, employee contributions shall be picked up by the employer
2 pursuant to KRS 78.610(4).

3 (a) For employees who are not employed by a school board, service credit shall
4 be allowed for each month contributions are deducted or picked up during a
5 fiscal or calendar year, if the employee receives creditable compensation for
6 an average of one hundred (100) hours or more of work per month based on
7 the actual hours worked in a calendar or fiscal year. If the average number of
8 hours of work is less than one hundred (100) hours per month, the employee
9 shall be allowed credit only for those months he receives creditable
10 compensation for one hundred (100) hours of work.

11 (b) For noncertified employees of school boards, for service prior to July 1, 2000,
12 service credit shall be allowed for each month contributions are deducted or
13 picked up under the employee's employment contract during a school year
14 determined by dividing the actual number of contracted calendar days worked
15 by twenty (20) and rounded to the nearest whole month if the employee
16 receives creditable compensation for an average of eighty (80) or more hours
17 of work per month based on the employee's employment contract. The school
18 board shall certify the number of calendar days worked, the rate of pay, and
19 the hours in a work day for each employee monthly or annually. The employer
20 shall file at the retirement office the final monthly report or the annual report
21 for a fiscal year no later than twenty (20) days following the completion of the
22 fiscal year. The retirement system shall impose a penalty on the employer of
23 one thousand dollars (\$1,000) if the information is not submitted by the date
24 required with an additional two hundred and fifty dollars (\$250) for each
25 additional thirty (30) day period the information is reported late.

26 1. If the employee works fewer than the number of contracted calendar
27 days, the employee shall receive service credit determined by dividing

- 1 the actual number of contracted calendar days worked by twenty (20)
2 and rounded to the nearest whole month, provided that the number of
3 hours worked during the period averages eighty (80) or more hours.
- 4 2. If the employee works fewer than the number of contracted calendar
5 days and the average number of hours worked is less than eighty (80) per
6 month, then the employee shall receive service credit for each calendar
7 month in which he worked eighty (80) or more hours.
- 8 3. The ~~retirement~~ system shall refund contributions and service credit for
9 any period for which the employee is not given credit under this
10 subsection.
- 11 (c) For noncertified employees of school boards, for service on and after July 1,
12 2000, at the close of each fiscal year, the retirement system shall add service
13 credit to the account of each employee who made contributions to his or her
14 account during the year. Employees shall be entitled to a full year of service
15 credit if their total paid calendar days were not less than one hundred eighty
16 (180) calendar days for a regular school or fiscal year. In the event an
17 employee is paid for less than one hundred eighty (180) calendar days, the
18 employee may purchase credit according to administrative regulations
19 promulgated by the system. In no case shall more than one (1) year of service
20 be credited for all service performed in one (1) fiscal year. Employees who
21 complete their employment contract prior to the close of a fiscal year and elect
22 to retire prior to the close of a fiscal year shall have their service credit
23 reduced by eight percent (8%) for each calendar month that the retirement
24 becomes effective prior to July 1. Employees who are employed and paid for
25 less than the number of calendar days required in their normal employment
26 year shall be entitled to pro rata service credit for the fractional service. This
27 credit shall be based upon the number of calendar days employed and the

1 number of calendar days in the employee's annual employment agreement or
 2 normal employment year. Service credit may not exceed the ratio between the
 3 school or fiscal year and the number of months or fraction of a month the
 4 employee is employed during that year.

5 (d) Notwithstanding paragraph (c) of this subsection, a noncertified employee of a
 6 school board who retires between July 1, 2000, and August 1, 2001, may
 7 choose to have service earned between July 1, 2000, and August 1, 2001,
 8 credited as described in paragraph (b) of this subsection, if the employee or
 9 retired member notifies the retirement system within one (1) year of his initial
 10 retirement. The decision once made shall be irrevocable.

11 **(e) The board shall not allow credit for more than one (1) year of service for all**
 12 **service rendered in any period of twelve (12) consecutive months except as**
 13 **provided in Section 9 of this Act.**

14 **(f) If the employee earns creditable compensation in both a hazardous position**
 15 **and a nonhazardous position, the employee's service credit shall be prorated**
 16 **between the employee's hazardous and nonhazardous positions based upon**
 17 **the percentage of the employee's creditable compensation earned in the**
 18 **hazardous or nonhazardous positions.**

19 (2) Employee contributions shall not be deducted from the creditable compensation of
 20 any employee or picked up by the employer while he is seasonal, emergency,
 21 temporary, or part-time. No service credit shall be earned.

22 (3) Contributions shall not be made or picked up by the employer and no service credit
 23 shall be earned by a member while on leave except:

24 (a) A member on military leave shall be entitled to service credit in accordance
 25 with **Section 10 of this Act**~~[KRS 61.555]~~; and

26 (b) A member on **approved** educational leave~~[who meets the criteria established~~
 27 ~~by the state Personnel Cabinet for approved educational leave]~~, who is

1 receiving seventy-five percent (75%) or more of full salary, shall receive
 2 service credit and shall pay member contributions in accordance with KRS
 3 78.610, and his employer shall pay employer contributions~~[-or-the~~
 4 ~~contributions shall be picked up]~~ in accordance with **Sections 12 and 40 of**
 5 **this Act**~~[KRS 61.565]~~. If a tuition agreement is broken by the member, the
 6 member and employer contributions paid or picked up during the period of
 7 educational leave shall be refunded.

8 (4) The retirement office, upon detection, shall refund any erroneous employer and
 9 employee contributions made to the retirement system and any interest credited in
 10 accordance with **Section 15 of this Act**~~[KRS 78.640]~~.

11 ➔Section 9. KRS 78.616 is amended to read as follows:

12 (1) Any **employer**~~[agency]~~ participating in the County Employees Retirement System
 13 which has formally adopted a sick-leave program that is universally administered to
 14 its employees may purchase service credit with the retirement system for up to six
 15 (6) months of unused sick leave for each retiring employee.

16 (2) Participation under this section shall be at the option of each participating employer.
 17 The election to participate shall be made by the governing authority of the
 18 participating employer and shall be certified in writing to the system on forms
 19 prescribed by the board. The certification shall provide for equal treatment of all
 20 employees participating under this section.

21 (3) (a) Upon the member's notification of retirement as prescribed in **Section 32 of**
 22 **this Act**~~[KRS 61.590]~~, the employer shall certify the retiring employee's
 23 unused, accumulated sick-leave balance to the system. The member's sick-
 24 leave balance, expressed in days, shall be divided by the average number of
 25 working days per month in county service and rounded to the nearest number
 26 of whole months. A maximum of six (6) months of the member's sick-leave
 27 balance, expressed in months, shall be added to his service credit for the

1 purpose of determining his annual retirement allowance under KRS 78.510 to
2 78.852 and for the purpose of determining whether the member is eligible to
3 receive a retirement allowance under KRS 78.510 to 78.852, except as
4 provided by paragraph (d) of this subsection. Accumulated sick-leave in
5 excess of six (6) months shall be added to the member's service credit if the
6 member or employer pays to the retirement system the value of the additional
7 service credit based on the formula adopted by the board, subject to the
8 restrictions provided by paragraph (d) of this subsection.

9 (b) The employer may elect to pay fifty percent (50%) of the cost of the sick leave
10 in excess of six (6) months on behalf of its employees. The employee shall
11 pay the remaining fifty percent (50%). The payment by the employer shall not
12 be deposited to the member's account. Service credit shall not be credited to
13 the member's account until both the employer's and employee's payments are
14 received by the retirement system.

15 (c) Once the employer elects to pay all or fifty percent (50%) of the cost on behalf
16 of its employees, it shall continue to pay the same portion of the cost.

17 (d) For a member who begins participating in the retirement system on or after
18 September 1, 2008, but prior to January 1, 2014, whose employer has
19 established a sick-leave program under subsections (1) to (4) and (6) of this
20 section:

- 21 1. The member shall receive no more than twelve (12) months of service
22 credit upon retirement for accumulated unused sick leave accrued while
23 contributing to the retirement system from which the retirement benefit
24 is to be paid;
- 25 2. The service added to the member's service credit shall be used for
26 purposes of determining the member's annual retirement allowance
27 under KRS 78.510 to 78.852;

1 3. The service added to the member's service credit shall not be used to
2 determine whether a member is eligible to receive a retirement
3 allowance under KRS 78.510 to 78.852; and

4 4. The cost of the service provided by this paragraph shall be paid by the
5 employer.

6 (4) The system shall compute the cost of the sick-leave credit of each retiring employee
7 and bill each employer with whom the employee accrued sick leave accordingly.
8 The employer shall remit payment within thirty (30) days from receipt of the bill.

9 (5) (a) As an alternative to subsections (1), (3), (4), and (6) of this section, any
10 agency participating in the County Employees Retirement System which has
11 formally adopted a sick-leave program that is universally administered to its
12 employees, or administered to a majority of eligible employees in accordance
13 with subsection (6) of this section, shall, at the time of termination, or as
14 provided in KRS 161.155 in the case of school boards, compensate the
15 employee for unused sick-leave days the employee has accumulated which it
16 is the uniform policy of the agency to allow.

17 (b) The rate of compensation for each unused sick-leave day shall be based on the
18 daily salary rate calculated from the employee's current rate of pay. Payment
19 for unused sick-leave days shall be incorporated into the employee's final
20 compensation if the employee and employer make the regular employee and
21 employer contributions, respectively, on the sick-leave payment.

22 (c) The number of sick-leave days for which the employee is compensated shall
23 be divided by the average number of working days per month in county
24 service and rounded to the nearest number of whole months. This number of
25 months shall be added to the employee's total service credit and to the number
26 of months used to determine creditable compensation, pursuant to KRS
27 78.510, but no more than sixty (60) months shall be used to determine final

1 compensation. For an employee who begins participating on or after
 2 September 1, 2008, but prior to January 1, 2014, the number of months added
 3 to the employee's total service credit under this paragraph shall not exceed
 4 twelve (12) months, and the additional service shall not be used to determine
 5 whether a member is eligible to receive a retirement allowance under KRS
 6 78.510 to 78.852.

7 (6) Any city of the first class that has two (2) or more sick-leave programs for its
 8 employees may purchase service credit with the retirement system for up to six (6)
 9 months of unused sick leave for each retiring employee who participates in the sick-
 10 leave program administered to a majority of the eligible employees of the city. An
 11 employee participating in a sick-leave program administered to a minority of the
 12 eligible employees shall become eligible for the purchase of service credit under
 13 this subsection when the employee commences participating in the sick-leave
 14 program that is administered to a majority of the eligible employees of the city.

15 (7) The provisions of this section shall not apply to employees who begin participating
 16 in the system on or after January 1, 2014, and no service credit shall be provided for
 17 accumulated sick leave balances of those employees who begin participating in the
 18 system on or after January 1, 2014.

19 ➔SECTION 10. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 20 TO READ AS FOLLOWS:

21 **(1) Called to Active Duty Military Service. An employee of an employer participating**
 22 **in the system who is called to active military duty in the Armed Forces of the**
 23 **United States shall be credited at no cost to the employee with service credit,**
 24 **creditable compensation, and in the case of employees participating in the hybrid**
 25 **cash balance plan, employee contributions, employer credits, and interest credits,**
 26 **for a period of active military duty of up to six (6) years, provided:**

27 **(a) The employee was called to active military duty in the Armed Forces of the**

1 United States:

2 1. After he or she began participating in the system and provided the
3 employee was on leave of absence from the employer and did not
4 withdraw his or her accumulated account balance; or

5 2. Prior to the date he or she began participating in the system and
6 terminated employment with his or her employer;

7 (b) The employee entered active military service within three (3) months of his
8 or her last day of paid employment;

9 (c) His or her discharge military service was terminated in a manner other
10 than as described in 38 U.S.C. sec. 4304; and

11 (d) He or she returns to work with an employer participating in the system
12 within (2) years after completion of the period of active military duty, or
13 upon the subsequent termination of any total disability which existed at the
14 expiration of the two (2) years after discharge.

15 For periods of active military duty that meet the requirements of this subsection,
16 the employer shall pay the employer contributions payable under Sections 12 and
17 40 of this Act.

18 (2) (a) Omitted Service. Any person who is entitled to service credit for employment
19 which was not reported by the county in accordance with Section 8 of this
20 Act may obtain credit for the service subject to the provisions of this
21 subsection.

22 (b) Provided the person pays for the omitted service with within six (6) months
23 of notification by the system, the cost of the service shall be equal to the
24 employee contributions that would have been paid if the person had been
25 correctly reported in accordance with Section 8 of this Act.

26 (c) Any person entitled to service credit under paragraph (a) of this subsection
27 who has not repaid the employee contributions due within six (6) months of

1 notification by the system may purchase the credit after the six (6) months
2 by paying to the system the employee contributions plus interest at the
3 actuarially assumed rate from the date of initial notification under
4 paragraph (a) of this subsection.

5 (d) Omitted service purchased under this subsection shall:

6 1. Be considered service credited under KRS 78.615(1) for purposes of
7 determining eligibility for retirement benefits under KRS 78.510 to
8 78.852; and

9 2. Not be credited to the member's account until the employer
10 contributions due and any interest or penalties on the delinquent
11 employer contributions for the period of omitted service are received
12 by the system.

13 (e) Employees who begin participating on or after January 1, 2014, in the
14 hybrid cash balance plan provided by Sections 21 and 23 of this Act shall,
15 upon payment of the employee and employer contributions due under this
16 subsection, have their accumulated account balance increased by the
17 employee contributions, employer pay credits, and interest credits that
18 would have been credited to their member's account if the contributions had
19 been paid on time.

20 (3) (a) Recontribution of a Refund. Any employee participating in one (1) of the
21 state-administered retirement systems who has been refunded his
22 accumulated account balance under the provisions of Section 35 of this Act,
23 thereby losing service credit in the system, may regain the credit by paying
24 to the system the amount or amounts refunded by the system with interest at
25 a rate determined by the board. Service purchased under this subsection on
26 or after January 1, 2014, shall not be used to determine the member's
27 participation date in the system.

1 **(b) Recontribution of a refund purchased under this subsection shall not be**
2 **used in determining a retirement allowance until the member has accrued**
3 **at least six (6) months of service credit in a state-administered retirement**
4 **system, excluding the service purchased under this subsection. If the**
5 **member does not accrue at least six (6) months of service credit in a state-**
6 **administered retirement system, excluding service purchased under this**
7 **subsection, then the payment plus interest as provided in Section 15 of this**
8 **Act shall be refunded upon retirement, death, or written request following**
9 **termination of employment. The service requirement shall be waived if the**
10 **member dies or becomes disabled as provided for by Section 26 or 27 of this**
11 **Act or KRS 61.621.**

12 **(4) (a) Summer Months. Any employee participating in one (1) of the state-**
13 **administered retirement systems who are or have been employed by a school**
14 **board or community action agency participating in the system, who receives**
15 **service credit for less than twelve (12) months each year, may purchase the**
16 **additional months of service credit needed to total one (1) year of service**
17 **credit except the amount purchased for any specific year shall not exceed**
18 **three (3) months.**

19 **(b) The cost of the summer months service credit shall be determined by the**
20 **formula established by subsection (10) of this section and may be purchased**
21 **by the employee, the employer on behalf of the employee, or the cost may be**
22 **paid by both the employer and employee in which case the employer and**
23 **employer shall each pay fifty percent (50%) of the cost. Service credit shall**
24 **not be credited to the member's account until both the employer's and**
25 **employee's payment are received by the system.**

26 **(c) If the employee has purchased service credit under this subsection based on**
27 **months reported by the employer for the fiscal year, and an audit of the**

1 employee's account reduces the number of months of service credit for
2 which the employee is eligible to no fewer than nine (9) months, the
3 employee shall retain credit for the months purchased unless the employee
4 is ineligible for any service in the fiscal year. The employee shall be eligible
5 to purchase the additional months under this subsection to total one (1)
6 year.

7 (d) This subsection shall not apply to members who began participating in the
8 County Employees Retirement System on or after January 1, 2014.

9 (5) Vested Service Purchases. Any employee who began participating in the County
10 Employees Retirement System prior to January 1, 2014, who is vested may
11 purchase service credit for:

12 (a) Past service. Past service shall mean periods of employment:

13 1. Between July 1, 1958, and the effective date of participation by the
14 employer;

15 2. Where the employee did not participate in the system due to the
16 employee not electing to participate as provided in paragraph (1)(b)
17 and (c) of Section 4 of this Act; and

18 3. With a political subdivision that did not participate in the system but
19 would have been eligible to participate under KRS 78.530, provided
20 the political subdivision has merged with or been taken over by a
21 participating employer;

22 (b) State university service, provided the university does not participate in a
23 state-administered retirement system and the employee did not participate in
24 a defined benefit retirement program during his or her service to the
25 university;

26 (c) Up to ten (10) years of out-of-state service. Out-of-state shall mean service
27 credited to a state or local government-administered public defined benefit

1 plan in another state other than that is not a defined benefit plan for teachers.
2 The employee may purchase the service as hazardous duty service credit
3 provided the employee is vested to receive hazardous duty benefits from the
4 system and the service could be certified as hazardous pursuant to Section 6
5 of this Act;

6 (d) Active military duty, which shall mean periods of active military duty in the
7 Armed Forces of the United States, provided:

8 1. The employee's military service was terminated in a manner other
9 than as described in 38 U.S.C. sec. 4304; and

10 2. The service has not been credited as free military service under
11 subsection (1) of this section;

12 (e) National Guard service. A member may purchase one (1) month of service
13 for each six (6) months of service in the National Guard or the military
14 reserves of the United States. The service shall be treated as service earned
15 prior to participation in the system;

16 (f) Federal service. Federal service shall mean service with the United States
17 government, that is not service in the Armed Forces;

18 (g) Seasonal, emergency, or temporary employment or part-time employment
19 averaging one hundred (100) or more hours of work per month on a
20 calendar or fiscal year basis. If the average number of hours of work is less
21 than one hundred (100) per month, the member may purchase credit for
22 only those months he receives creditable compensation for one hundred
23 (100) hours of work;

24 (h) Part-time employment in a noncertified position at a school board prior to
25 the 1990-91 school year which averaged eighty (80) or more hours of work
26 per month on a calendar or fiscal year basis. If the average number of
27 hours of work is less than eighty (80) per month, the noncertified employee

1 of a school board shall be allowed to purchase credit only for those months
2 he receives creditable compensation for eighty (80) hours of work;

3 (i) Any period of:

- 4 1. Authorized maternity or sick leave;
- 5 2. Unpaid leave authorized under the Federal Family and Medical Act;
- 6 3. Approved educational leave; and
- 7 4. Agency-approved leave to work for a work-related labor organization
8 if the agency subsequently participated in the system, but only if the
9 board receives a favorable private letter ruling from the United States
10 Internal Revenue Service or a favorable opinion letter from the United
11 States Department of Labor;

12 (j) Non-Participating Employer Service, which shall mean periods of
13 employment with the following types of agencies provided the agency does
14 not participate in a state-administered retirement system:

- 15 1. A regional community services program for mental health organized
16 and operated under the provisions of KRS 210.370 to 210.480;
- 17 2. A community action agency created under KRS 273.405 to 273.453;
- 18 3. An area development district created pursuant to KRS 147A.050; or
- 19 4. A business development corporation created pursuant to KRS 155.001
20 to 155.230, provided the system receives a favorable private letter
21 ruling from the United States Internal Revenue Service or a favorable
22 opinion letter from the United States Department of Labor;

23 (k) Urban-County Government service, which shall mean employment in an
24 urban-county government position that would qualify for hazardous duty
25 coverage under Section 6 of this Act;

26 (l) Periods of service as assistants to officers and employees of the General
27 Assembly for persons who were unable to acquire service under KRS

- 1 61.510(20) for service performed after January 1, 1960; and
2 (m) Service as a volunteer in the Kentucky Peace Corps, created by KRS 154.1-
3 720.
- 4 (6) Non-qualified service. Provided the employee's participation date in the system is
5 prior to July 15, 2002, and provided the employee has total service in all state-
6 administered retirement systems of at least one hundred eighty (180) months of
7 service credit, the employee may purchase a combined maximum total of five (5)
8 years of service credit, known as non-qualified service, which is not otherwise
9 purchasable under any of the provisions of KRS 78.510 to 78.852. The service
10 purchased under this paragraph shall not be used in determining a retirement
11 allowance until the member has accrued at least two hundred forty (240) months
12 of service, excluding service purchased under this subsection. If the member does
13 not accrue at least two hundred forty (240) months of service, excluding service
14 purchased under this subsection, upon retirement, death, or written request
15 following termination, the payment, plus interest as provided in Section 15 of this
16 Act, shall be refunded.
- 17 (7) For purposes of service purchased under subsections (2) to (6) of this section:
- 18 (a) Except for subsection (6) of this section, the service must qualify as regular
19 full-time as provide by subsection (21) of Section 2 of this Act:
- 20 (b) No service credit may be purchased for periods already credited to the
21 system or another public defined benefit retirement fund, including non-
22 qualified service purchased in another state-administered retirement
23 system;
- 24 (c) Except as provided by subparagraph (a)2.a. of subsection (9) of this section,
25 the employee payment for service purchases shall not be picked up, as
26 described in KRS 78.610(4), by the employer; and
- 27 (d) Except for service purchased under subsection (2) or (3) of this section,

1 service purchases made pursuant to this section may be purchased by the
2 entire amount of service available or by increments. Service purchases
3 made pursuant to subsections (2) and (3) of this section shall only be
4 purchased by the entire amount of service available.

5 (8) (a) Employer purchase of past service. Any employer participating in the
6 system may purchase service credit, between July 1, 1958, and the
7 participation date of the employer, for present employees of the county who
8 have obtained coverage under paragraph (1)(b) and (1)(c) of Section 4 of
9 this Act, provided the employee began participating in the system prior to
10 January 1, 2014.

11 (b) The employer may purchase the service, with interest at the rate actuarially
12 assumed by the board, over a period not to exceed ten (10) years.

13 (c) If an employer elects to purchase service under the provisions of this
14 subsection, any present employee who would be eligible to receive service
15 credit under the provisions of this subsection and has purchased service
16 credit under paragraph (3)(a) of this section shall have his payment for the
17 service credit refunded with interest at the rate paid under Section 15 of this
18 Act; and

19 (d) Any payments made by an employer under this subsection shall be deposited
20 to the retirement allowance account of the system and these funds shall not
21 be considered accumulated contributions of the individual members.

22 (9) (a) An employee participating in the system may purchase service credit under
23 any of the provisions of KRS 78.510 to 78.852 for which he or she is eligible
24 to purchase, or as otherwise required by 38 U.S.C. ch. 43, by:

25 1. Making a lump-sum payment on a before-tax basis as provided in
26 subparagraph 3. of this paragraph, or on an after-tax basis if the
27 employee is purchasing service credit under subsections (2) or (3) of

1 this section, service available pursuant to 38 U.S.C. ch. 43 not
2 otherwise provided for in this section, or grandfathered service as
3 defined in paragraph (b) of this subsection;

4 2. Entering into an agreement to purchase service credit through an
5 installment purchase of service agreement with the systems as
6 provided by paragraph (c) of this subsection:

7 a. On a before-tax basis in which the service is purchased pursuant
8 to the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or

9 b. On an after-tax basis if the employee is purchasing service credit
10 under subsection (2) or (3) of this section, service available
11 pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this
12 section, or grandfathered service as defined in paragraph (b) of
13 this subsection; or

14 3. Transferring funds to the system through a direct trustee-to-trustee
15 transfer as permitted under the applicable sections of the Internal
16 Revenue Code and any regulations or rulings issued thereunder,
17 through a direct rollover as contemplated by and permitted under 26
18 U.S.C. sec. 401(a)(31) and any regulations or rulings issued
19 thereunder, or through a rollover of funds pursuant to and permitted
20 under the rules specified in 26 U.S.C. secs. 402(c) and 408(d)(3). The
21 system shall accept the transfer or rollover to the extent permitted
22 under the rules specified in the applicable provisions of the Internal
23 Revenue Code and any regulations and rulings issued thereunder.

24 (b) For purposes of this subsection, "grandfathered service" means service
25 purchases for which a member, whose membership date in the system is
26 prior to July 1, 1999, is eligible to purchase under 78.510 to 78.852, that
27 were available for all members of the system to purchase on August 5, 1997.

- 1 (c) 1. For service purchased under a before-tax or after-tax installment
2 purchase of service agreement as provided by paragraph (a)2. of this
3 subsection, the cost of the service shall be computed in the same
4 manner as for a lump-sum payment which shall be the principal,
5 except that interest compounded annually at the actuarial rate in
6 effect at the time the member elects to make the purchase shall be
7 added for the period that the installments are to be made.
- 8 2. Multiple service purchases may be combined under a single
9 installment agreement, except that no employee may make more than
10 one (1) installment purchase at the same time.
- 11 3. For after-tax installment purchase of service agreements, the
12 employee may elect to stop the installment payments by notifying the
13 system; may have the installment purchase recalculated to add one (1)
14 or more additional service purchases; or may pay by lump sum the
15 remaining principal or a portion of the remaining principal.
- 16 4. Before-tax installment purchase of service agreements shall be
17 irrevocable, and the employee shall not be able to stop installment
18 payments or to pay off the remaining balance of the purchase of
19 service agreement, except upon termination of employment or death.
- 20 5. One (1) year of installment payments shall be made for each one
21 thousand dollars (\$1,000) or any part thereof of the total cost, except
22 that the total period allowed for installments shall not be less than one
23 (1) year and shall not exceed five (5) years.
- 24 6. The employee shall pay the installments by payroll deduction for after-
25 tax purchase of service agreements, and the employer shall pick up
26 installments for before-tax purchase of service agreements. Upon
27 notification by the system, the employer shall report the installment

1 payments either monthly or semimonthly continuously over each
2 twelve (12) month period at the same time as, but separate from,
3 regular employee contributions on the forms or by the computer
4 format specified by the board.

5 7. The system shall determine how much of the total cost represents
6 payment for one (1) month of the service to be purchased and shall
7 credit one (1) month of service to the member's account each time this
8 amount has been paid. The first service credited shall represent the
9 first calendar month of the service to be purchased and each
10 succeeding month of service credit shall represent the succeeding
11 months of that service.

12 8. If the employee utilizing an installment purchase of service agreement
13 dies, retires, does not continue employment in a position required to
14 participate in the system, or elects to stop an after-tax installment
15 purchase of service agreement, the member, or in the case of death,
16 the beneficiary, shall have sixty (60) days to pay the remaining
17 principal or a portion of the remaining principal of the installment
18 purchase of service agreement by lump sum, subject to the restrictions
19 of paragraph (a)1. of this subsection, or by transfer of funds under
20 paragraph (a)3. of this subsection, except that payment by the member
21 shall be filed with the system prior to the member's effective
22 retirement date. If the member or beneficiary does not pay the
23 remaining cost, the system shall refund to the member or the
24 beneficiary the payment, payments, or portion of a payment that does
25 not represent a full month of service purchased, except as provided by
26 subsection (6) of this section.

27 9. If the employer does not report installment payments on an employee

1 for sixty (60) days for an after-tax installment purchase of service
2 agreement, except in the case of employees on military leave or sick
3 leave without pay, the installment purchase shall cease and the system
4 shall refund to the employee the payment, payments, or portion of a
5 payment that does not represent a full month of service purchased.

6 10. Installment payments of employees on military leave or sick leave
7 without pay shall be suspended during the period of leave and shall
8 resume without recalculation upon the employee's return from leave.

9 11. If payments have ceased under subparagraph 8. or 9. of this
10 paragraph and the member later becomes a participating employee in
11 the system, the employee may complete the adjusted original
12 installment purchase by lump sum or installment payments, subject to
13 the restrictions of this subsection. If the employee elects to renew the
14 installment purchase, the cost of the remaining service shall be
15 recalculated in accordance with subsection (10) of this section.

16 (d) Member payments, including interest, properly received pursuant to this
17 subsection, shall be deposited to the member's account and considered as
18 accumulated contributions of the individual member.

19 (10) (a) The cost of purchasing service credit under any provision of this section,
20 except as provided by subsections (1) to (3) of this section, shall be
21 determined by multiplying the higher of the employee's current rate of pay,
22 final rate of pay, or final compensation as of the end of the month in which
23 the purchase is made times the actuarial factor times the number of years of
24 service being purchased. The actuarial factor used to determine the cost of
25 purchasing service credit shall assume the earliest date the member may
26 retire.

27 (b) Service purchased on or after August 1, 2004, under the provisions of KRS

1 78.510 to 78.852, except for service purchased under subsections (1) to (3)
 2 of this section, shall not be used to determine eligibility for or the amount of
 3 the monthly insurance contribution under Section 40 of this Act.

4 (c) For a member whose participation begins on or after August 1, 2004,
 5 service purchased under the provisions of KRS 78.510 to 78.852, except for
 6 service purchased under subsections (1) to (3) of this section:

7 1. Shall not be used to determine eligibility for a retirement allowance
 8 under disability retirement, early retirement, normal retirement, or
 9 death under any of the provisions of KRS 78.510 to 78.852; and

10 2. Shall only be used to determine the amount of the retirement
 11 allowance of a member who is eligible for a retirement allowance
 12 under disability, early retirement, normal retirement, or death under
 13 any of the provisions of KRS 78.510 to 78.852, based on service earned
 14 as a participating employee.

15 ➔SECTION 11. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 16 TO READ AS FOLLOWS:

17 (1) (a) As soon as practicable after its organization, the board shall adopt the
 18 actuarial tables, assumptions, and methods necessary for the administration
 19 of the system and for the annual determination of actuarial assets, actuarial
 20 liabilities, and recommended employer contribution rates of the system as
 21 provided by Sections 12 and 40 of this Act, for the pension and retiree
 22 health funds.

23 (b) The board shall cause an actuarial valuation to be made annually. The
 24 valuation shall at a minimum include:

25 1. A description of the actuarial assumptions used in the actuarial
 26 valuation, which shall be reasonably related to the experience of the
 27 system and represent the actuary's best estimate of anticipated

- 1 experience;
- 2 2. A description of any funding methods utilized or required by state law
- 3 in the development of the actuarial valuation results;
- 4 3. A description of any changes in actuarial assumptions and methods
- 5 from the previous year's actuarial valuation;
- 6 4. The actuarially recommended contribution rate for employers for the
- 7 upcoming budget periods;
- 8 5. A twenty (20) year projection of the funding levels, unfunded
- 9 liabilities, and actuarially recommended contribution rates for
- 10 employers based upon the actuarial assumptions, funding methods,
- 11 and experience of the system as of the valuation date; and
- 12 6. A sensitivity analysis that evaluates the impact of changes in system
- 13 assumptions, including but not limited to the investment return
- 14 assumption, payroll growth assumption, and medical inflation rates,
- 15 on employer contribution rates, funding levels, and unfunded
- 16 liabilities.
- 17 (c) At least once in each five (5) year period, the board shall cause an actuarial
- 18 investigation to be made of all the experience under the system relative to
- 19 the actuarial assumptions and funding methods previously adopted by the
- 20 board. The actuarial investigation shall include at a minimum a summary
- 21 of the changes in actuarial assumptions and funding methods
- 22 recommended in the investigation and the projected impact of the
- 23 recommended changes on funding levels, unfunded liabilities, and
- 24 actuarially recommended contribution rates for employers over a twenty
- 25 (20) year period.
- 26 (d) Pursuant to the actuarial investigation the board shall, from time to time,
- 27 revise the actuarial tables previously adopted by the board and shall

1 thereupon revise the bases of the rates of employer contributions required
 2 under KRS 78.510 to 78.852.

3 (e) For any change in actuarial assumptions, funding methods, retiree health
 4 insurance premiums and subsidies, or any other decisions made by the
 5 board that impact system liabilities and actuarially recommended
 6 contribution rates for employers and that are not made in conjunction with
 7 the actuarial investigation required by paragraph (c) of this subsection, an
 8 actuarial analysis shall be completed showing the projected impact of the
 9 changes on funding levels, unfunded liabilities, and actuarially
 10 recommended contribution rates for employers over a twenty (20) year
 11 period.

12 (f) All actuarial investigations, analyses, and valuations shall be certified to the
 13 board by an actuary who shall be a fellow of the Conference of Consulting
 14 Actuaries or a member of the American Academy of Actuaries.

15 (2) A copy of each five (5) year actuarial investigation, actuarial analysis, and
 16 annual valuation required by subsection (1) of this section shall be forwarded
 17 electronically to the Legislative Research Commission no later than ten (10) days
 18 after receipt by the board, and the Legislative Research Commission shall
 19 distribute the information received to the committee staff and co-chairs of any
 20 committee that has jurisdiction over the County Employees Retirement System.
 21 The actuarial valuation required by subsection (1)(b) of this section shall be
 22 submitted no later than November 15 following the close of the fiscal year.

23 ➔SECTION 12. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 24 TO READ AS FOLLOWS:

25 (1) (a) Each employer participating in the County Employees Retirement System as
 26 provided for in KRS 78.510 to 78.852 shall contribute annually to the
 27 system an amount equal to the percent, as computed under subsection (2) of

1 this section, of the creditable compensation of its employees to be known as
2 the "normal contributions," and an additional amount to be known as the
3 "actuarially accrued liability contribution" which shall be computed by
4 amortizing the total unfunded actuarially accrued liability over a period of
5 thirty (30) years using the level-percentage-of-payroll amortization method.
6 The thirty (30) year amortization period shall begin with the 2013 actuarial
7 valuation.

8 (b) Any significant increase in the actuarially accrued liability due to benefit
9 improvements shall be amortized using the level-percentage-of-payroll
10 amortization method over a separate thirty (30) year period commencing in
11 the year of the actuarial valuation in which the benefit improvements are
12 first reflected.

13 (2) The normal contribution rate shall be determined by the entry age normal cost
14 funding method. The actuarially accrued liability shall be determined by
15 actuarial method consistent with the methods prescribed for determining the
16 normal contribution rate. Normal contributions and the actuarially accrued
17 liability contribution shall be determined on actuarial assumptions and methods
18 adopted by the board.

19 (3) Normal contribution and the actuarially accrued liability contribution rates shall
20 be determined by the board on the basis of the annual actuarial valuation last
21 preceding the July 1 of a new fiscal year.

22 (4) Employer contribution rates as provided by this section shall:

23 (a) Be developed separately for employers providing benefits to employees in
24 nonhazardous positions and for employers providing benefits to employees
25 in hazardous positions; and

26 (b) Include an employer contribution rate to fund pension benefits and an
27 employer contribution rate to fund retiree health benefits.

1 (5) The system shall advise each employer prior to the beginning of each fiscal year
 2 of any change in the employer contribution rate. Based on the employer
 3 contribution rate, each employer shall include in the budget sufficient funds to
 4 pay the employer contributions as determined by the board under this section.

5 ➔Section 13. KRS 78.625 is amended to read as follows:

6 (1) The employer shall prepare the reporting records necessary for the system to
 7 administer the provisions of KRS 78.510 to 78.852 and, from time to time, shall
 8 furnish the information the system may require in the discharge of its duties.
 9 Upon employment of an employee, the employer shall inform him of his duties
 10 and obligations in connection with the system as a condition of employment.

11 (2) The agency reporting official of the county shall file the following at the retirement
 12 office on or before the tenth day of the month following the period being reported:

13 (a) The employee and employer contributions required under KRS 78.610,
 14 Section 12 of this Act~~[61.565]~~, and Section 40 of this Act~~[61.702]~~;

15 (b) The employer contributions and reimbursements for retiree health insurance
 16 premiums required under Section 42 of this Act~~[KRS 61.637]~~; and

17 (c) A record of all contributions to the system on the forms prescribed by the
 18 systems.

19 ~~(3)~~~~(2)~~ (a) If the agency reporting official fails to file at the retirement office all
 20 contributions and reports on or before the tenth day of the month following
 21 the period being reported, or if an employer fails to make payments for
 22 ceasing participation as provided by Section 3 of this Act, interest on the
 23 delinquent contributions or payments at the actuarial rate adopted by the
 24 board compounded annually, but not less than one thousand dollars (\$1,000),
 25 shall be added to the amount due the system. Contributions payable by the
 26 employer under subsection (2) of Section 10 of this Act shall be considered
 27 delinquent from the date the employee should have been reported and

1 received service credit in accordance with Section 8 of this Act.

2 (b) Delinquent contributions or delinquent payments owed under Section 3 of
 3 this Act, with interest at the rate adopted by the board compounded annually,
 4 or penalties may be recovered by action in the Franklin Circuit Court against
 5 the county liable or may, at the request of the board, be deducted from any
 6 other moneys payable to the county by any department or agency of the state.

7 ~~(4)(3)~~ If an agency is delinquent in the payment of contributions due in accordance
 8 with any of the provisions of KRS 78.510 to 78.852 or is delinquent in payments
 9 owed under Section 3 of this Act, refunds and retirement allowance payments to
 10 members of this agency may be suspended until the delinquent contributions, with
 11 interest at the rate adopted by the board compounded annually, or penalties have
 12 been paid to the system.

13 (5) The system may at any time conduct an audit of the employer in order to
 14 determine if the employer is complying with the provisions of KRS 78.510 to
 15 78.852. The system shall have access to and may examine all books, accounts,
 16 reports, correspondence files, and records of any employer. Every employer,
 17 employee, or agency reporting official of a county, as defined in subsection (3) of
 18 Section 2 of this Act, having records in its possession or under its control, shall
 19 permit access to and examination of the records upon the request of the system.

20 ➔Section 14. KRS 78.630 is amended to read as follows:

21 Except as provided by Section 39 of this Act, all of the assets of the system shall be held
 22 and invested in the county employees' retirement fund and credited, according to the
 23 purpose for which they are held, to one (1) of three (3) accounts, namely, the members'
 24 account, the retirement allowance account, and accounts established pursuant to 26
 25 U.S.C. sec. 401(h) within the funds established in KRS ~~{16.510, 61.515, and }~~78.520, as
 26 prescribed by paragraph (3)(b) of Section 40 of this Act~~{KRS 61.702(2)(b)}~~.

27 ➔Section 15. KRS 78.640 is amended to read as follows:

- 1 (1) The members' account shall be the account to which:
- 2 (a) All members' contributions, or contributions picked up by the employer after
3 August 1, 1982, and interest allowances as provided in KRS 78.510 to 78.852
4 shall be credited, except as provided by paragraph (3)(b) of Section 40 of this
5 Act~~[KRS 61.702(2)(b)]~~; and
- 6 (b) For members who begin participating in the system on or after January 1,
7 2014, the employer pay credit and interest credited on such amounts as
8 provided by Sections 21 and 23 of this Act~~[KRS 16.583 and 61.597]~~ shall be
9 credited.
- 10 Only funds from this account shall be used to return the accumulated contributions
11 or accumulated account balances of a member when required to be returned to him
12 by reason of any provision of KRS 78.510 to 78.852. Prior to the member's
13 retirement, death, or refund in accordance with Section 35 of this Act~~[KRS 61.625]~~,
14 no funds shall be made available from the member account.
- 15 (2) Each member's contribution or contribution picked up by the employer shall be
16 credited to the individual account of the contributing member, except as provided
17 by paragraph (3)(b) of Section 40 of this Act~~[KRS 61.702(2)(b)]~~.
- 18 (3) (a) Each member shall have his individual account credited with interest on June
19 30 of each year.
- 20 (b) For a member who begins participating before September 1, 2008, interest
21 shall be credited to his individual account at a rate determined by the board
22 but not less than two percent (2%) per annum on the accumulated account
23 balance of the member on June 30 of the preceding fiscal year.
- 24 (c) For a member who begins participating on or after September 1, 2008, but
25 prior to January 1, 2014, interest shall be credited to his or her individual
26 account at a rate of two and one-half percent (2.5%) per annum on the
27 accumulated contributions of the member on June 30 of the preceding fiscal

1 year.

2 (d) For a member who begins participating on or after January 1, 2014, in the
3 hybrid cash balance plan, interest shall be credited in accordance with
4 **Sections 21 and 23 of this Act**~~[KRS 16.583 and 61.597]~~.

5 (e) The amounts of interest credited to a member's account under this subsection
6 shall be transferred from the retirement allowance account.

7 (4) (a) Upon the retirement of a member who began participating in the system prior
8 to January 1, 2014, his accumulated account balance shall be transferred from
9 the members' account to the retirement allowance account.

10 (b) Upon the retirement of a member who began participating in the system on or
11 after January 1, 2014, who elects to annuitize his or her accumulated account
12 balance as prescribed by **paragraph (7)(a) or (7)(b) of Section 21 of this**
13 **Act**~~[KRS 16.583(7)(a) or (b)]~~ or **paragraph (7)(a) or (7)(b) of Section 23 of**
14 **this Act**~~[61.597(7)(a) or (b)]~~, the member's accumulated account balance shall
15 be transferred to the retirement allowance account.

16 ➔Section 16. KRS 78.650 is amended to read as follows:

17 **Except as provided by Section 39 of this Act,** the retirement allowance account shall be
18 the account in which shall be accumulated all employer contributions and amounts
19 transferred from the members' account, and to which all income from the invested assets
20 of the system shall be credited. From this account shall be paid the expenses of the system
21 and the board in administration of the system, retirement allowances, and any other
22 benefits payable after a member's retirement and from this account shall be transferred to
23 the members' account:

24 (1) The employer pay credit added monthly to each member's individual accounts as
25 provided by KRS **Sections 21 and 23 of this Act**~~[16.583 and 61.597]~~; and

26 (2) The interest credited annually to each member's individual account as provided by
27 KRS 78.510 to 78.852.

1 ➔SECTION 17. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
2 TO READ AS FOLLOWS:

3 (1) Notwithstanding the provisions of KRS Chapter 413, upon discovery of any error
4 or omission in system records, the system shall correct all records, including but
5 not limited to membership in the system, service credit, member and employer
6 contributions, and benefits paid or payable. The system may conduct audits to
7 detect possible fraud, misrepresentation, and change in circumstance, which may
8 result in errors or omissions in the system's records. The system, by its executive
9 director or by representatives appointed in writing by the executive director, may
10 take testimony or depositions, and may examine records, documents, or files of
11 any person whose records, documents, or files may furnish knowledge
12 concerning any system records, when the executive director or representative
13 deems this reasonably necessary for purposes incident to the performance of the
14 system's functions. The system may enforce these powers by application to the
15 Franklin Circuit Court, which court may compel compliance with the orders of
16 the executive director or representatives appointed by the executive director.

17 (2) Neither the board nor any of its individual members shall be liable to any person
18 for any claim arising from the failure of any participating employer, or any
19 employer who should have been participating in the system operated by the
20 board, to make retirement contributions on behalf of the person.

21 (3) (a) Any person, including, but not limited to, members and agency reporting
22 officials, who makes a statement, report, or representation, shall, at the
23 request of the system, make the statement, report, or representation under
24 oath with an acknowledgment that a false statement, report, or
25 representation shall be punishable by law.

26 (b) Notwithstanding paragraph (a) of this subsection, the system may, in its
27 discretion, rely in good faith on any unsworn statement, report, or

1 representation without further inquiry.

2 ➔SECTION 18. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
3 TO READ AS FOLLOWS:

4 (1) For purposes of this section, "bona fide promotion or career advancement":

5 (a) Means a professional advancement in substantially the same line of work
6 held by the employee in the four (4) years immediately prior to the final five
7 (5) fiscal years preceding retirement or a change in employment position
8 based on the training, skills, education, or expertise of the employee that
9 imposes a significant change in job duties and responsibilities to clearly
10 justify the increased compensation to the member; and

11 (b) Does not include any circumstance where an elected official participating in
12 the County Employees Retirement System takes a position of employment
13 with a different employer participating in any of the state-administered
14 retirement systems.

15 (2) (a) For employees retiring from the County Employees Retirement System on
16 or after January 1, 2018, the system shall, for each of the retiring
17 employee's last five (5) fiscal years of employment, identify any fiscal year
18 in which the creditable compensation increased at a rate of ten percent
19 (10%) or more annually over the immediately preceding fiscal year's
20 creditable compensation. The employee's creditable compensation in the
21 fiscal year immediately prior to the employee's last five (5) fiscal years of
22 employment shall be utilized to compare the initial fiscal year in the five (5)
23 fiscal year period.

24 (b) Except as limited or excluded by subsections (3) and (4) of this section, any
25 amount of increase in creditable compensation for a fiscal year identified
26 under paragraph (a) of this subsection that exceeds ten percent (10%) more
27 than the employee's creditable compensation from the immediately

1 preceding fiscal year shall not be included in the creditable compensation
2 used to calculate the retiring employee's monthly retirement allowance. If
3 the creditable compensation for a specific fiscal year identified under
4 paragraph (a) of this subsection as exceeding the ten percent (10%)
5 increase limitation is not used to calculate the retiring employee's monthly
6 retirement allowance, then no reduction in creditable compensation shall
7 occur for that fiscal year.

8 (c) If the creditable compensation of the retiring employee is reduced as
9 provided by paragraph (b) of this subsection, the system:

10 1. Shall refund the employee contributions and interest attributable to
11 the reduction in creditable compensation; and

12 2. Shall not refund the employer contributions paid but shall utilize
13 those funds to pay down the unfunded liability of the pension fund in
14 which the retiring employee participated.

15 (3) In order to ensure the prospective application of the limitations on increases in
16 creditable compensation contained in subsection (2) of this section, only the
17 creditable compensation earned by the retiring employee on or after July 1, 2017,
18 shall be subject to reduction under subsection (2) of this section. Creditable
19 compensation earned by the retiring employee prior to July 1, 2017, shall not be
20 subject to reduction under subsection (2) of this section.

21 (4) Subsection (2) of this section shall not apply to:

22 (a) The fiscal year containing the employee's effective retirement date if the
23 employee earned less than twelve (12) months of service credit during the
24 fiscal year;

25 (b) A bona fide promotion or career advancement as defined by subsection (1)
26 of this section;

27 (c) A lump-sum payment for compensatory time paid to an employee upon

1 termination of employment;

2 (d) A lump-sum payment made pursuant to an alternate sick leave program
3 under KRS 78.616(5) that is paid to an employee upon termination of
4 employment;

5 (e) Increases in creditable compensation in a fiscal year over the immediately
6 preceding fiscal year, where in the immediately preceding fiscal year the
7 employer reported the employee as being on leave without pay for any
8 reason, including but not limited to any period of time where the employee
9 received workers' compensation benefit payments that were not reported to
10 the plan as creditable compensation;

11 (f) Increases in creditable compensation directly attributable to an employee's
12 receipt of compensation for overtime hours worked while serving as a
13 participating employee under any state or federal grant, grant pass-through,
14 or similar program that requires overtime as a condition or necessity of the
15 employer's receipt of the grant;or

16 (g) Increases in creditable compensation directly attributable to an employee's
17 receipt of compensation for overtime performed during a state of emergency
18 declared by the President of the United States or the Governor of the
19 Commonwealth of Kentucky.

20 (5) The system shall determine whether increases in creditable compensation during
21 the last five (5) fiscal years of employment prior to retirement constitute a bona
22 fide promotion or career advancement and may promulgate administrative
23 regulations in accordance with KRS Chapter 13A to administer this section. All
24 state-administered retirement systems shall cooperate to implement this section.

25 (6) Any employee who disagrees with a determination made by the system in
26 accordance with this section regarding whether an increase in compensation
27 constitutes a bona fide promotion or career advancement for purposes of

1 subsection (5) of this section may request a hearing and appeal the decision in
 2 accordance with Section 46 of this Act.

3 (7) The system shall provide a means for employers to separately report the specific
 4 exceptions provided in subsection (4) of this section within the reporting system
 5 utilized by the employers for making employer reports under Section 13 of this
 6 Act. The system shall continually provide communication, instructions, training,
 7 and educational opportunities for employers regarding how to appropriately
 8 report exemptions established by subsection (4) of this section.

9 (8) This section shall not apply to employees participating in the hybrid cash balance
 10 plan as provided by Sections 21 and 23 of this Act.

11 ➔SECTION 19. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 12 TO READ AS FOLLOWS:

13 (1) Prior to the first day of the month in which the member receives his or her first
 14 retirement allowance and prior to the member filing a notification of retirement
 15 or a request for refund:

16 (a) Each member may designate on the form prescribed by the board a
 17 principal beneficiary and contingent beneficiary for his or her account. The
 18 principal beneficiary or contingent beneficiary designated by the member
 19 shall be:

- 20 1. One (1) or more persons; or
- 21 2. The member's estate; or
- 22 3. A trust;

23 (b) If multiple persons are designated as provided by paragraph (a)1. of this
 24 subsection, the member shall indicate the percentage of total benefits each
 25 person is to receive.

- 26 1. If percentages are not indicated, payments will be disbursed equally to
 27 the named beneficiaries.

- 1 2. If the percentages indicated do not total one hundred percent (100%),
2 each beneficiary shall receive an increased or decreased percentage
3 which is proportional to the percentage allotted him or her by the
4 member.
- 5 3. If any of the multiple beneficiaries die prior to the member's death,
6 the remaining beneficiaries shall be entitled to the deceased
7 beneficiary's percentage of the total benefits, and each shall receive a
8 percentage of the deceased's share which is equal to the percentage
9 allotted them by the member;
- 10 (c) The principal and contingent beneficiary designation established by the
11 member pursuant to paragraph (a) of this subsection shall remain in full
12 force and effect until changed by the member, except:
- 13 1. A final divorce decree terminates an ex-spouse's status as beneficiary,
14 unless the member has on file in the retirement office a beneficiary
15 designation that redesignates the ex-spouse as beneficiary subsequent
16 to the issuance of the divorce decree;
- 17 2. If a beneficiary or beneficiaries are convicted of any crime which
18 prohibits that person or persons from receiving the benefits under
19 KRS 381.280, the beneficiary or beneficiaries shall not be eligible for
20 any of the benefits and the remaining beneficiary or beneficiaries or,
21 if none, the member's estate, shall become the beneficiary; and
- 22 3. When a notification of retirement has been filed at the retirement
23 office, the designation of beneficiary on the notification of retirement,
24 which shall be one (1) person, his estate, or a trust, shall supersede the
25 designation of all previous beneficiaries, unless the notification of
26 retirement is withdrawn, invalid, or voided. If the notification of
27 retirement is withdrawn, invalid, or voided, the prior beneficiary

1 designation on file with the system shall remain in full force and effect
2 until changed by the member; and

3 (d) Except as provided by paragraph (c)3. of this subsection, if the member fails
4 to designate a beneficiary for his or her account or if the beneficiary
5 designation is determined to be void by the system, the member's estate shall
6 become the beneficiary.

7 (2) If the member dies prior to the first day of the month in which the member would
8 have received his or her first retirement allowance and prior to filing a
9 notification of retirement or a request for refund, any retirement benefits shall be
10 payable to the principal beneficiary, except that:

11 (a) If the death of the principal beneficiary or beneficiaries precedes the death
12 of the member, or if the principal beneficiary is terminated by a divorce
13 decree, the contingent beneficiary or beneficiaries become the principal
14 beneficiary or beneficiaries;

15 (b) If the principal beneficiary is one (1) person and is the member's spouse
16 and they are divorced on the date of the member's death, the contingent
17 beneficiary or beneficiaries become the principal beneficiary or
18 beneficiaries;

19 (c) If the member is survived by his principal beneficiary or beneficiaries who
20 subsequently die prior to having on file at the retirement office the
21 necessary forms prescribed under authority of Section 32 of this Act, the
22 contingent beneficiary shall become the principal beneficiary or
23 beneficiaries; and

24 (d) If the deaths of all the principal beneficiaries and all of the contingent
25 beneficiaries precede the death of the member, the estate of the member
26 becomes the beneficiary.

27 (3) Prior to the first day of the month in which the member would have received his

1 or her first retirement allowance, a monthly benefit payable for life shall not be
2 offered if the beneficiary designated under subsection (1) of this section is more
3 than one (1) person, the member's estate, or a trust.

4 (4) When a notification of retirement has been filed at the retirement office:

5 (a) The designation of beneficiary on the notification of retirement shall
6 supersede the designation of all previous beneficiaries;

7 (b) The beneficiary designated by the member on the member's notification of
8 retirement shall be one (1) person, the member's estate, or a trust; and

9 (c) If the death of the beneficiary named on the notification of retirement
10 precedes the first day of the month in which the member receives his or her
11 first retirement allowance, the member may designate another beneficiary
12 on the member's notification of retirement.

13 (5) After the first day of the month in which the member receives his or her first
14 retirement allowance and subsequent thereto, a member shall not have the right
15 to change his beneficiary, except that:

16 (a) The estate of the retired member becomes the beneficiary if the date of
17 death of the beneficiary precedes or coincides with the date of death of the
18 retired member;

19 (b) The estate of the retired member becomes the beneficiary if the retired
20 member had designated a person as beneficiary who was the spouse or who
21 later married the member and they were divorced on the date of the retired
22 member's death. An ex-spouse who was the named beneficiary on the
23 member's notification of retirement shall be reinstated as the member's
24 beneficiary for the payment options provided by subsections (2), (3), (4), and
25 (8)(b) of Section 24 of this Act if they are remarried to each other as of the
26 date of the retired member's death; and

27 (c) The estate of the member shall not receive monthly payments if the member

1 selected one (1) of the payment options provided by subsections (2), (3), (4),
2 and (8)(b) of Section 24 of this Act.

3 ➔SECTION 20. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
4 TO READ AS FOLLOWS:

5 (1) The provisions of this section shall only apply to members who began
6 participating in the system prior to January 1, 2014, who have service in a
7 nonhazardous position.

8 (2) (a) A member who began participating prior to September 1, 2008, is eligible
9 for a retirement allowance determined under paragraphs (4)(a) or (4)(b) of
10 this section, as applicable, for his or her service if:

11 1. The member has attained normal retirement age and has four (4) or
12 more years of service, at least one (1) of which is current service;

13 2. The member has twenty-seven (27) or more years of service, at least
14 fifteen (15) of which are current service;

15 3. The member has attained age fifty-five (55) and has five (5) or more
16 years of service, at least one (1) of which is current service; or

17 4. The member is less than age fifty-five (55) and has twenty-five (25) or
18 more years of service, at least fifteen (15) of which are current service.

19 (b) In lieu of any other benefits due under 78.510 to 78.852, a member who
20 began participating prior to September 1, 2008, who has attained normal
21 retirement age and who has obtained at least one (1) month of service credit
22 but no more than forty-seven (47) months of service may elect to receive an
23 annual retirement allowance payable monthly or less frequently, as
24 determined by the board, which shall be determined by multiplying his
25 accumulated contributions by two (2) and converting this amount to an
26 annual retirement allowance based on an annuity rate adopted by the board
27 which would pay the actuarial equivalent of twice his accumulated

1 contributions over the lifetime of the retired member.

2 (c) A member who began participating prior to September 1, 2008, who has
3 earned vested service credit in a retirement system, other than the Teachers'
4 Retirement System, sponsored by a Kentucky institution of higher
5 education, the Council on Postsecondary Education, or the Higher
6 Education Assistance Authority, may count the vested service toward
7 attaining the necessary years of service credit as provided in subparagraphs
8 (a)2. and (a)4. of this subsection to qualify for a retirement allowance. The
9 credit from a Kentucky institution of higher education, the Council on
10 Postsecondary Education, or the Higher Education Assistance Authority
11 shall not be used toward the minimum fifteen (15) years of current service
12 required by subparagraphs (a)2. and (a)4. of this subsection or to calculate
13 his or her retirement allowance pursuant to this section. The provisions of
14 this paragraph shall not be construed to limit the use of Teachers'
15 Retirement System credit pursuant to KRS 61.680(2)(a).

16 (3) A member who began participating on or after September 1, 2008, but prior to
17 January 1, 2014, is eligible for a retirement allowance determined under
18 paragraph (4)(c) of this section if:

19 (a) The member has attained normal retirement age and has at least five (5)
20 years of service credited under KRS 78.615(1) or another state-administered
21 retirement system;

22 (b) The member is fifty-seven (57) years of age or older and has an age and
23 years of service total of at least eighty-seven (87) years. The years of service
24 used to determine eligibility for a retirement allowance under this
25 paragraph shall only include years of service credited under KRS 78.615(1)
26 or another state-administered retirement system; or

27 (c) The member is sixty (60) years of age or older and has at least ten (10) years

1 of service credited under KRS 78.615(1) or another state-administered
2 retirement system.

3 (4) Upon retirement under the conditions specified by subsection (2) and (3) of this
4 section except as provided by paragraph (2)(b) of this section, a member covered
5 by this section may receive an annual retirement allowance, payable monthly
6 during his lifetime, which shall consist of an amount equal to:

7 (a) Two and two-tenths percent (2.2%) of final compensation multiplied by the
8 number of years of service credit, if the member began participating in the
9 system prior to August 1, 2004;

10 (b) Two percent (2.0%) of final compensation multiplied by the number of
11 years of service credit, if the member began participating on or after August
12 1, 2004, but prior to September 1, 2008;

13 (c) If the member began participating on or after September 1, 2008, but prior
14 to January 1, 2014:

15 1. a. One and one-tenth percent (1.1%) of final compensation for
16 each year of service if the member has earned ten (10) or less
17 years of service at retirement;

18 b. One and three-tenths percent (1.3%) of final compensation for
19 each year of service if the member has earned greater than ten
20 (10) but no more than twenty (20) years of service at retirement;

21 c. One and one-half percent (1.5%) of final compensation for each
22 year of service if the member has earned greater than twenty (20)
23 but no more than twenty-six (26) years of service at retirement;

24 or

25 d. One and three-quarters percent (1.75%) of final compensation
26 for each year of service if the member has earned greater than
27 twenty-six (26) but no more than thirty (30) years of service at

- 1 retirement; and
- 2 2. Two percent (2.0%) of final compensation for each year of service
- 3 earned in excess of thirty (30) years of service at retirement; and
- 4 (d) The annual retirement allowance determined under this subsection, but
- 5 shall:
- 6 1. Be for a member with ten (10) or more years of service in the system at
- 7 least one (1) of which is current service, not be less than five hundred
- 8 twelve dollars (\$512);
- 9 2. Not be reduced for a member retiring under the provisions specified by
- 10 paragraph (2)(a)1., (2)(a)2., (3)(a), and (3)(b) of this section; and
- 11 3. Be reduced for a member retiring under the provisions specified by
- 12 paragraphs (2)(a)3., (2)(a)4., and (3)(c) of this section by an amount
- 13 determined by the board's actuary to reflect the earlier commencement
- 14 of benefits.

15 ➔SECTION 21. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
16 TO READ AS FOLLOWS:

- 17 (1) A member of the County Employees Retirement System who is participating in a
- 18 nonhazardous position and who began participating in the system on or after
- 19 January 1, 2014, shall receive the retirement benefits provided by this section in
- 20 lieu of the retirement benefits provided under Section 20 of this Act. The
- 21 retirement benefit provided by this section shall be known as the hybrid cash
- 22 balance plan and shall operate as another benefit tier within the County
- 23 Employees Retirement System.
- 24 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the
- 25 member's accumulated account balance, which shall include:
- 26 (a) Contributions made by the member as provided by KRS 78.510 to 78.852,
- 27 except for employee contributions prescribed by paragraph (3)(b) of Section

1 40 of this Act;

2 (b) An employer pay credit of four percent (4%) of the creditable compensation
3 earned by the employee for each month the employee is contributing to the
4 hybrid cash balance plan provided by this section; and

5 (c) Interest credits added annually to the member's accumulated account
6 balance as provided by this section.

7 (3) (a) Member contributions and employer pay credits as provided by subsection
8 (2)(a) and (b) of this section shall be credited to the member's account
9 monthly as contributions are reported and posted to the system in
10 accordance with KRS 78.625.

11 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be
12 credited to the member's account annually on June 30 of each fiscal year,
13 as determined by subsection (4) of this section.

14 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
15 contributed to the hybrid cash balance plan during the fiscal year.

16 (b) If the member contributed to the hybrid cash balance plan during the fiscal
17 year, the interest credit added to the member's account for that fiscal year
18 shall be determined by multiplying the member's accumulated account
19 balance on June 30 of the preceding fiscal year by a percentage increase
20 equal to:

21 1. Four percent (4%); plus

22 2. Seventy-five percent (75%) of the system's geometric average net
23 investment return in excess of a four percent (4%) rate of return.

24 (c) If the member did not contribute to the hybrid cash balance plan during the
25 fiscal year, the interest credit added to the member's account for that fiscal
26 year shall be determined by multiplying the member's accumulated account
27 balance on June 30 of the preceding fiscal year by four percent (4%).

1 (d) For purposes of this subsection, "system's geometric average net investment
2 return":

3 1. Means the annual average geometric investment return, net of
4 administrative and investment fees and expenses, over the last five (5)
5 fiscal years as of the date the interest is credited to the member's
6 account; and

7 2. Shall be expressed as a percentage and based upon the system in
8 which the member has an account.

9 (e) No employer pay credits or interest credits shall be provided to a member
10 who has taken a refund of contributions as provided by Section 35 of this
11 Act or who has retired and annuitized his or her accumulated account
12 balance as prescribed by this section.

13 (5) (a) Upon termination of employment, a member who has less than five (5)
14 years of service credited under KRS 78.615(1), who elects to take a refund
15 of his or her accumulated account balance as provided by Section 35 of this
16 Act, shall forfeit the accumulated employer credit, and shall only receive a
17 refund of his or her accumulated contributions.

18 (b) Upon termination of employment, a member who has five (5) or more years
19 of service credited under KRS 78.615(1), who elects to take a refund of his
20 or her accumulated account balance as provided by Section 35 of this Act,
21 shall receive a full refund of his or her accumulated account balance.

22 (6) A member participating in the hybrid cash balance plan provided by this section
23 may retire:

24 (a) At his or her normal retirement age, provided he or she has earned five (5)
25 or more years of service credited under KRS 78.615(1), or another state-
26 administered retirement system; or

27 (b) If the member is at least age fifty-seven (57) and has an age and years of

1 service total of at least eighty-seven (87) years. The years of service used to
 2 determine eligibility for retirement under this paragraph shall only include
 3 years of service credited under KRS 78.615(1), or another state-
 4 administered retirement system.

5 (7) A member eligible to retire under subsection (6) of this section may elect to:

6 (a) Receive a monthly retirement allowance payable for life by having his or
 7 her accumulated account balance annuitized by the system in accordance
 8 with the actuarial assumptions and actuarial methods adopted by the board
 9 and in effect on the member's retirement date;

10 (b) Receive the actuarial equivalent of his or her retirement allowance
 11 calculated under paragraph (a) of this subsection payable under one (1) of
 12 the options set forth in Section 24 of this Act; or

13 (c) Take a refund of his or her account balance as provided by Section 35 of
 14 this Act.

15 (8) The provisions of this section shall not apply to members who began participating
 16 in the County Employees Retirement System prior to January 1, 2014.

17 ➔SECTION 22. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 18 TO READ AS FOLLOWS:

19 (1) The provisions of this section shall only apply to members who began
 20 participating in the system prior to January 1, 2014, who have service in a
 21 hazardous position.

22 (2) (a) A member who began participating prior to September 1, 2008, is eligible
 23 for a retirement allowance determined under paragraph (4)(a) of this
 24 section for his or her service if:

25 1. The member has attained normal retirement age and has five (5) or
 26 more years of service, at least one (1) of which is current service;

27 2. The member has twenty (20) or more years of service, at least fifteen

1 (15) of which are current service; or

2 3. The member has attained age fifty (50) and has fifteen (15) or more
3 years of service.

4 (b) In lieu of any other benefits due under 78.510 to 78.852, a member who
5 began participating prior to September 1, 2008, who has attained normal
6 retirement age and who has obtained at least one (1) month of service credit
7 but no more than fifty-nine (59) months of service may elect to receive an
8 annual retirement allowance payable monthly or less frequently, as
9 determined by the board, which shall be determined by multiplying his
10 accumulated contributions by two (2) and converting this amount to an
11 annual retirement allowance based on an annuity rate adopted by the board
12 which would pay the actuarial equivalent of twice his accumulated
13 contributions over the lifetime of the retired member.

14 (3) A member who began participating on or after to September 1, 2008, but prior to
15 January 1, 2014, is eligible for a retirement allowance determined under
16 paragraph (4)(b) of this section for his or her service if:

17 (a) The member has attained normal retirement age and has five (5) years of
18 service credited under KRS 78.615(1) or another state-administered
19 retirement system;

20 (b) The member has twenty-five (25) or more years of service credited under
21 KRS 78.615(1) or another state-administered retirement system; or

22 (c) The member has attained age fifty (50) and has fifteen (15) years of service
23 credited under KRS 78.615(1) or another state-administered retirement
24 system.

25 (4) (a) A member of the system covered by this section who began participating
26 prior to September 1, 2008, may elect to receive an annual retirement
27 allowance, payable monthly during his lifetime, equal to two and five-tenths

1 percent (2.5%) of final compensation for each year of service credit.

2 (b) A member of the system covered by this section, who begins participating in
 3 the system on or after September 1, 2008, but prior to January 1, 2014, shall
 4 be eligible to receive an annual retirement allowance, payable monthly
 5 during his or her lifetime, equal to:

6 1. One and three-tenths percent (1.3%) of final compensation for each
 7 year of service credit if the employee has earned ten (10) or less years
 8 of service at retirement;

9 2. One and one-half percent (1.5%) of final compensation for each year
 10 of service credit if the employee has earned greater than ten (10) but
 11 no more than twenty (20) years of service at retirement;

12 3. Two and one-quarter percent (2.25%) of final compensation for each
 13 year of service credit if the employee has earned greater than twenty
 14 (20) but less than twenty-five (25) years of service at retirement; or

15 4. Two and one-half percent (2.5%) of final compensation for each year
 16 of service credit if the employee has earned twenty-five (25) or more
 17 years of service at retirement.

18 (c) The annual retirement allowance determined under this subsection, shall:

19 1. Not be reduced for a member retiring under the provisions specified by
 20 paragraph (2)(a)1., (2)(a)2., (3)(a), and (3)(b) of this section; and

21 2. Be reduced for a member retiring under the provisions specified by
 22 paragraphs (2)(a)3. and (3)(c) of this section by an amount determined
 23 by the board's actuary to reflect the earlier commencement of benefits.

24 ➔SECTION 23. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 25 TO READ AS FOLLOWS:

26 (1) A member of the County Employees Retirement System in a hazardous position
 27 covered by this section, who begins participating in the system on or after

1 January 1, 2014, shall receive the retirement benefits provided by this section in
2 lieu of the retirement benefits provided under Section 22 of this Act. The
3 retirement benefit provided by this section shall be known as the hybrid cash
4 balance plan and shall operate as another benefit tier within the County
5 Employees Retirement System.

6 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the
7 member's accumulated account balance, which shall include:

8 (a) Contributions made by the member as provided by KRS 78.510 to 78.852,
9 except for employee contributions prescribed by paragraph (3)(b) of Section
10 40 of this Act;

11 (b) An employer pay credit of seven and one-half percent (7.5%) of the
12 creditable compensation earned by the employee for each month the
13 employee is contributing to the hybrid cash balance plan provided by this
14 section; and

15 (c) Interest credits added annually to the member's accumulated account
16 balance as provided by this section.

17 (3) (a) Member contributions and employer pay credits as provided by subsection
18 (2)(a) and (b) of this section shall be credited to the member's account
19 monthly as contributions are reported and posted to the system in
20 accordance with KRS 78.625.

21 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be
22 credited to the member's account annually on June 30 of each fiscal year,
23 as determined by subsection (4) of this section.

24 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
25 contributed to the hybrid cash balance plan during the fiscal year.

26 (b) If the member contributed to the hybrid cash balance plan during the fiscal
27 year, the interest credit added to the member's account for that fiscal year

1 shall be determined by multiplying the member's accumulated account
2 balance on June 30 of the preceding fiscal year by a percentage increase
3 equal to:

4 1. Four percent (4%); plus

5 2. Seventy-five percent (75%) of the system's geometric average net
6 investment return in excess of a four percent (4%) rate of return.

7 (c) If the member did not contribute to the hybrid cash balance plan during the
8 fiscal year, the interest credit added to the member's account for that fiscal
9 year shall be determined by multiplying the member's accumulated account
10 balance on June 30 of the preceding fiscal year by four percent (4%).

11 (d) For purposes of this subsection, "system's geometric average net investment
12 return":

13 1. Means the annual average geometric investment return, net of
14 administrative and investment fees and expenses, over the last five (5)
15 fiscal years as of the date the interest is credited to the member's
16 account; and

17 2. Shall be expressed as a percentage and based upon the system in
18 which the member has an account.

19 (e) No employer pay credits or interest credits shall be provided to a member
20 who has taken a refund of contributions as provided by Section 35 of this
21 Act or who has retired and annuitized his or her accumulated account
22 balance as prescribed by this section.

23 (5) (a) Upon termination of employment, a member who has less than five (5)
24 years of service credited under KRS 78.615(1), who elects to take a refund
25 of his or her accumulated account balance as provided by Section 35 of this
26 Act, shall forfeit the accumulated employer credit, and shall only receive a
27 refund of his or her accumulated contributions.

1 (b) Upon termination of employment, a member who has five (5) or more years
 2 of service credited under KRS 78.615(1), who elects to take a refund of his
 3 or her accumulated account balance as provided by Section 35 of this Act,
 4 shall receive a full refund of his or her accumulated account balance.

5 (6) A member participating in the hybrid cash balance plan provided by this section
 6 may retire:

7 (a) At his or her normal retirement date, provided he or she has earned five (5)
 8 or more years of service credited under KRS 78.615(1) or another state-
 9 administered retirement system; or

10 (b) At any age, provided he or she has earned twenty-five (25) or more years of
 11 service credited under KRS 78.615(1) or another state-administered
 12 retirement system.

13 (7) A member eligible to retire under subsection (6) of this section may elect to:

14 (a) Receive a monthly retirement allowance payable for life by having his or
 15 her accumulated account balance annuitized by the system in accordance
 16 with the actuarial assumptions and actuarial methods adopted by the board
 17 and in effect on the member's retirement date;

18 (b) Receive the actuarial equivalent of his or her retirement allowance
 19 calculated under paragraph (a) of this subsection payable under one (1) of
 20 the options set forth in Section 24 of this Act; or

21 (c) Take a refund of his or her account balance as provided by Section 35 of
 22 this Act.

23 (8) The provisions of this section shall not apply to members who began participating
 24 in the system prior to January 1, 2014.

25 ➔SECTION 24. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 26 TO READ AS FOLLOWS:

27 (1) Each member shall have the right to elect to have his retirement allowance

- 1 payable under any one (1) of the options set forth in this section in lieu of the
2 retirement allowance otherwise payable to him upon retirement under any of the
3 provisions of KRS 78.510 to 78.852. The amount of any optional retirement
4 allowance shall be actuarially equivalent to the amount of retirement allowance
5 otherwise payable to him.
- 6 (2) Survivorship one hundred percent (100%). The member may elect to receive a
7 decreased retirement allowance during his lifetime and have the retirement
8 allowance continued after his death to his beneficiary during the lifetime of the
9 person.
- 10 (3) Survivorship sixty-six and two-thirds percent (66-2/3%). The member may elect to
11 receive a decreased retirement allowance during his lifetime and have two-thirds
12 (2/3) of the retirement allowance continue after his death to his beneficiary
13 during the lifetime of the person.
- 14 (4) Survivorship fifty percent (50%). The member may elect to receive a decreased
15 retirement allowance during his lifetime and have one-half (1/2) of the retirement
16 allowance continued after his death to his beneficiary during the lifetime of the
17 person.
- 18 (5) Life with ten (10) years certain. The member less than age seventy-six (76) may
19 elect to receive a monthly retirement allowance during his lifetime which shall
20 guarantee payments for one hundred twenty (120) months. If the member dies
21 before receiving payments for one hundred twenty (120) months, his beneficiary
22 shall receive the remaining payments monthly, for the duration of the one
23 hundred twenty (120) months' period. However, if the trust is designated as
24 beneficiary, the trustee of the trust may elect to receive a lump-sum payment
25 which shall be the actuarial equivalent to the remaining payments, or the trustee
26 may elect to continue the remaining monthly payments to the trust of the
27 member. If the estate is designated as beneficiary, the estate shall receive a lump-

1 sum payment which shall be the actuarial equivalent to the remaining payments.

2 (6) Life with fifteen (15) years certain. The member less than age sixty-eight (68)
3 may elect to receive a monthly retirement allowance during his lifetime which
4 shall guarantee payments for one hundred and eighty (180) months. If the
5 member dies before receiving payments for one hundred and eighty (180)
6 months, his beneficiary shall receive the remaining payments monthly for the
7 duration of the one hundred and eighty (180) months' period. However, if the
8 trust is designated as beneficiary, the trustee of the trust may elect to receive a
9 lump-sum payment which shall be the actuarial equivalent to the remaining
10 payments, or the trustee may elect to continue the remaining payments to the
11 trust of the member. If the estate is designated as beneficiary, the estate shall
12 receive a lump-sum payment which shall be the actuarial equivalent to the
13 remaining payments.

14 (7) Life with twenty (20) years certain. The member less than age sixty-two (62) may
15 elect to receive a monthly retirement allowance during his lifetime which shall
16 guarantee payments for two hundred and forty (240) months. If the member dies
17 before receiving payments for two hundred and forty (240) months, his
18 beneficiary shall receive the remaining payments for the duration of the two
19 hundred and forty (240) months period. However, if the trust is beneficiary, the
20 trustee of the trust may elect to receive a lump-sum payment which shall be the
21 actuarial equivalent to the remaining payments, or the trustee may elect to
22 continue the remaining payments to the trust of the member. If the estate is
23 designated as beneficiary, the estate shall receive a lump-sum payment which
24 shall be the actuarial equivalent to the remaining payments.

25 (8) Social Security adjustment options. These options shall be available to any
26 member who has not attained age sixty-two (62) as follows:

27 (a) No survivor rights. The member may elect to receive an increased

1 retirement allowance from his effective retirement date through the month
2 he attains age sixty-two (62) at which time his retirement allowance shall be
3 decreased for the remainder of his lifetime;

4 (b) Survivor rights. The member may elect to receive an increased retirement
5 allowance from his effective retirement date through the month he attains
6 age sixty-two (62) based on the option payable under subsection (2) of this
7 section, if the retirement allowance shall be decreased in the month
8 following the month he attains age sixty-two (62), or the month following
9 the month he would have attained age sixty-two (62), in event of his death,
10 and have the retirement allowance continue after his death to his
11 beneficiary during the lifetime of the person.

12 (9) Beneficiary Social Security adjustment option. This option is available to the
13 beneficiary of a deceased member if the beneficiary, who is a person, has not
14 attained age sixty (60), and is eligible to receive Social Security payments at age
15 sixty (60). The beneficiary may elect to receive during his lifetime an increased
16 retirement allowance based on his annual benefit payable for life. The payment
17 shall begin on his effective retirement date and continue through the month he
18 attains age sixty (60) at which time his retirement allowance shall be decreased
19 for the remainder of his lifetime.

20 (10) Pop-up option. The member may elect to receive a decreased retirement
21 allowance during his lifetime and have the retirement allowance continued after
22 his death to his beneficiary during the lifetime of the person. If the beneficiary
23 dies prior to the member, or if the beneficiary is the member's spouse and they
24 divorce, the member's retirement allowance shall increase to the amount that
25 would have been payable as a single life annuity.

26 (11) Actuarial equivalent refund. A member who began participating in the system
27 prior to January 1, 2014, may elect to receive a one (1) time lump-sum payment

1 which shall be the actuarial equivalent of the amount payable for a period of
2 sixty (60) months under subsection (4) of Section 20 of this Act or subsection (4)
3 of Section 22 of this Act.

4 (12) Partial lump-sum option.

5 (a) No survivor rights. A member retiring on or before January 1, 2009, may
6 elect to receive a one-time lump-sum payment equal to twelve (12), twenty-
7 four (24), or thirty-six (36) monthly retirement allowances payable under
8 the applicable retirement formula for the system and receive a reduced
9 monthly retirement allowance payable for his or her lifetime. The lump-sum
10 payment shall be paid in the month the first monthly retirement allowance
11 is payable.

12 (b) Survivor rights. A member retiring on or before January 1, 2009, may elect
13 to receive a one-time lump-sum payment equal to twelve (12), twenty-four
14 (24), or thirty-six (36) monthly retirement allowances payable under
15 subsection (2) of this section and receive a reduced monthly retirement
16 allowance payable for his or her lifetime. The lump-sum payment shall be
17 paid in the month the first monthly retirement allowance is payable. The
18 reduced retirement allowance shall be continued after the member's death
19 to his beneficiary during the lifetime of the person.

20 (13) Ten (10) year certain option. A member in a hazardous position may elect to
21 receive a monthly retirement allowance payable for ten (10) years certain. If the
22 member should become deceased prior to the expiration of ten (10) years, his
23 beneficiary, unless the beneficiary is the member's estate, shall receive the
24 remaining payments monthly for the duration of the ten (10) years. If the
25 member's estate is the beneficiary, the member's estate shall receive a lump-sum
26 payment which shall be the actuarial equivalent to the remaining payments. The
27 provisions of Section 40 notwithstanding, the member, his or her spouse and

1 eligible dependents shall continue to receive the insurance benefits to which they
 2 are entitled pursuant to Section 40 after the expiration of ten (10) years.

3 (14) The options described in subsections (2), (3), (4), (8)(b), (10), and (12)(b) of this
 4 section shall be extended to the member only if the designated beneficiary is one
 5 (1) person.

6 ➔SECTION 25. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 7 TO READ AS FOLLOWS:

8 (1) Effective August 1, 1996, to July 1, 2008, a recipient of a retirement allowance
 9 under KRS 78.510 to 78.852 shall have his retirement allowance increased on
 10 July 1 of each year by the percentage increase in the annual average of the
 11 consumer price index for all urban consumers for the most recent calendar year
 12 as published by the federal Bureau of Labor Statistics, not to exceed five percent
 13 (5%). In determining the annual employer contribution rate, only the cost of
 14 increases granted as of the most recent valuation date shall be recognized. The
 15 benefits of this subsection as provided on August 1, 1996, to July 1, 2008, shall
 16 not be considered as benefits protected by the inviolable contract provisions of
 17 KRS 78.852. The General Assembly reserves the right to suspend or reduce the
 18 benefits conferred in this subsection if in their judgment the welfare of the
 19 Commonwealth so demands.

20 (2) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a
 21 retirement allowance under KRS 78.510 to 78.852 shall have his or her
 22 retirement allowance increased by one and one-half percent (1.5%), if:

23 1. The funding level of the pension fund is greater than one hundred
 24 percent (100%) and subsequent legislation authorizes the use of any
 25 surplus actuarial assets to provide an increase in retirement
 26 allowances described by this subsection for the pension fund which
 27 has the surplus actuarial assets; or

- 1 2. The General Assembly directs payment of employer contributions to
2 fully prefund the increase described by this subsection in the year the
3 increase is provided.
- 4 (b) The board of trustees of the system shall, at least thirty (30) days prior to the
5 beginning of regular sessions of the General Assembly held in even-
6 numbered years, advise the General Assembly of the following:
- 7 1. Which pension funds have a funding level greater than one hundred
8 percent (100%) and can support an increase in recipients' retirement
9 allowances as provided by paragraph (a) of this subsection over the
10 next budget biennium without reducing the funding level of the
11 pension fund below one hundred percent (100%); and
- 12 2. If no surplus actuarial assets are available, the level of employer
13 contribution funds needed to fully prefund an increase for pension
14 fund recipients over the next budget biennium if a one and one-half
15 percent (1.5%) increase is provided annually over the biennium.
- 16 (c) For purposes of this subsection, "funding level" means the actuarial value
17 of assets divided by the actuarially accrued liability expressed as a
18 percentage that is determined and reported by the system's actuary in the
19 system's actuarial valuation for each pension fund.
- 20 (d) The full increase described by this subsection shall only be provided if the
21 recipient has been receiving a benefit for at least twelve (12) months prior to
22 the effective date of the increase. If the recipient has been receiving a
23 benefit for less than twelve (12) months prior to the effective date of the
24 increase provided by this subsection, the increase shall be reduced on a pro
25 rata basis for each month the recipient has not been receiving benefits in
26 the twelve (12) months preceding the effective date of the increase.
- 27 (e) The benefits of this subsection as provided on July 1, 2009, and thereafter

1 shall not be considered as benefits protected by the inviolable contract
2 provisions of KRS 78.852. The General Assembly reserves the right to
3 suspend or reduce the benefits conferred in this subsection if, in its
4 judgment, the welfare of the Commonwealth so demands.

5 ➔SECTION 26. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
6 TO READ AS FOLLOWS:

7 The disability retirement provisions contained in this section shall apply to a person
8 with service in a nonhazardous position.

9 (1) Any person may qualify to retire on disability, subject to the following conditions:

10 (a) The person shall have sixty (60) months of service, twelve (12) of which
11 shall be current service credited under KRS 78.615(1);

12 (b) For a person whose membership date is prior to August 1, 2004, the person
13 shall not be eligible for an unreduced retirement allowance;

14 (c) The person's application shall be on file in the retirement office no later
15 than twenty-four (24) months after the person's last day of paid employment
16 in a regular full-time position, as defined in KRS 78.510; and

17 (d) The person shall receive a satisfactory determination pursuant to Section 30
18 of this Act.

19 (2) A person's disability reapplication based on the same claim of incapacity shall be
20 accepted and reconsidered for disability if accompanied by new objective medical
21 evidence. The reapplication shall be on file in the retirement office no later than
22 twenty-four (24) months after the person's last day of paid employment in a
23 regular full-time position.

24 (3) Upon the examination of the objective medical evidence by licensed physicians
25 pursuant to Section 30 of this Act, it shall be determined that:

26 (a) The person, since his last day of paid employment, has been mentally or
27 physically incapacitated to perform the job, or jobs of like duties, from

1 which he received his last paid employment. In determining whether the
2 person may return to a job of like duties, any reasonable accommodation by
3 the employer as provided in 42 U.S.C. sec. 12111(9) and 29 C.F.R. pt. 1630
4 shall be considered;

5 (b) The incapacity is a result of bodily injury, mental illness, or disease. For
6 purposes of this section, "injury" means any physical harm or damage to
7 the human organism other than disease or mental illness;

8 (c) The incapacity is deemed to be permanent; and

9 (d) The incapacity does not result directly or indirectly from bodily injury,
10 mental illness, disease, or condition which pre-existed membership in the
11 system or reemployment, whichever is most recent. For purposes of this
12 subsection, reemployment shall not mean a change of employment between
13 employers participating in the state-administered retirement systems with no
14 loss of service credit.

15 (4) Paragraph (d) of subsection (3) of this section shall not apply if:

16 (a) The incapacity is a result of bodily injury, mental illness, disease, or
17 condition which has been substantially aggravated by an injury or accident
18 arising out of or in the course of employment; or

19 (b) The person has at least sixteen (16) years' current or prior service for
20 employment with employers participating in the state-administered
21 retirement systems.

22 (5) (a) 1. An incapacity shall be deemed to be permanent if it is expected to
23 result in death or can be expected to last for a continuous period of
24 not less than twelve (12) months from the person's last day of paid
25 employment in a regular full-time position.

26 2. The determination of a permanent incapacity shall be based on the
27 medical evidence contained in the member's file and the member's

1 residual functional capacity and physical exertion requirements.

2 (b) The person's residual functional capacity shall be the person's capacity for
3 work activity on a regular and continuing basis. The person's physical
4 ability shall be assessed in light of the severity of the person's physical,
5 mental, and other impairments. The person's ability to walk, stand, carry,
6 push, pull, reach, handle, and other physical functions shall be considered
7 with regard to physical impairments. The person's ability to understand,
8 remember, and carry out instructions and respond appropriately to
9 supervision, coworkers, and work pressures in a work setting shall be
10 considered with regard to mental impairments. Other impairments,
11 including skin impairments, epilepsy, visual sensory impairments, postural
12 and manipulative limitations, and environmental restrictions, shall be
13 considered in conjunction with the person's physical and mental
14 impairments to determine residual functional capacity.

15 (c) The person's physical exertion requirements shall be determined based on
16 the following standards:

17 1. Sedentary work shall be work that involves lifting no more than ten
18 (10) pounds at a time and occasionally lifting or carrying articles such
19 as large files, ledgers, and small tools. Although a sedentary job
20 primarily involves sitting, occasional walking and standing may also
21 be required in the performance of duties.

22 2. Light work shall be work that involves lifting no more than twenty
23 (20) pounds at a time with frequent lifting or carrying of objects
24 weighing up to ten (10) pounds. A job shall be in this category if
25 lifting is infrequently required but walking and standing are
26 frequently required, or if the job primarily requires sitting with
27 pushing and pulling of arm or leg controls. If the person has the

1 ability to perform substantially all of these activities, the person shall
2 be deemed capable of light work. A person deemed capable of light
3 work shall be deemed capable of sedentary work unless the person has
4 additional limitations such as the loss of fine dexterity or inability to
5 sit for long periods.

6 3. Medium work shall be work that involves lifting no more than fifty
7 (50) pounds at a time with frequent lifting or carrying of objects
8 weighing up to twenty-five (25) pounds. If the person is deemed
9 capable of medium work, the person shall be deemed capable of light
10 and sedentary work.

11 4. Heavy work shall be work that involves lifting no more than one
12 hundred (100) pounds at a time with frequent lifting or carrying of
13 objects weighing up to fifty (50) pounds. If the person is deemed
14 capable of heavy work, the person shall also be deemed capable of
15 medium, light, and sedentary work.

16 5. Very heavy work shall be work that involves lifting objects weighing
17 more than one hundred (100) pounds at a time with frequent lifting or
18 carrying of objects weighing fifty (50) or more pounds. If the person is
19 deemed capable of very heavy work, the person shall be deemed
20 capable of heavy, medium, light, and sedentary work.

21 (6) Upon disability retirement from a nonhazardous position, an employee may
22 receive a disability retirement allowance during his lifetime which shall be:

23 (a) For a member who began participating in the system prior to August 1,
24 2004, an annual retirement allowance payable monthly and determined in
25 the same manner as for retirement at his normal retirement date with years
26 of service and final compensation being determined as of the date of his
27 disability, except that service credit shall be added to the person's total

1 service beginning with his last date of paid employment and continuing to
 2 his sixty-fifth (65th) birthday; however, the maximum service credit added
 3 shall not exceed the total service the person had upon his last day of paid
 4 employment, and the maximum combined service credit for calculating his
 5 disability retirement allowance, including total service and added service
 6 shall not exceed twenty-five (25) years. If, however, a person covered by this
 7 paragraph has accumulated twenty-five (25) or more years of total service,
 8 he shall receive added service necessary to bring his combined service
 9 credit, including total and added service, to twenty-seven (27) years;

10 (b) For a member who began participating on or after August 1, 2004, but prior
 11 to January 1, 2014, the higher of twenty percent (20%) of the member's
 12 monthly final rate of pay or the monthly retirement allowance determined
 13 in the same manner as for retirement at his normal retirement date with
 14 years of service and final compensation being determined as of the date of
 15 his disability; or

16 (c) For a member who begins participating on or after January 1, 2014, in the
 17 hybrid cash balance plan as provided by Section 21 of this Act, the higher of
 18 twenty percent (20%) of the member's monthly final rate of pay or the
 19 retirement allowance determined in the same manner as for retirement at
 20 his or her normal retirement date under Section 21 of this Act.

21 (7) A person with service in a nonhazardous position who is disabled due to an act in
 22 line of duty shall be eligible for benefits based upon the criteria and requirements
 23 specified by KRS 61.621.

24 ➔SECTION 27. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 25 TO READ AS FOLLOWS:

26 The disability retirement provisions contained in this section shall apply to a person
 27 with service in a hazardous position.

1 (1) (a) For purposes of this section, "total and permanent disability" means a
2 disability which results in the member's incapacity to engage in any
3 occupation for remuneration or profit. Loss by severance of both hands at
4 or above the wrists, or both feet at or above the ankles, or one (1) hand
5 above the wrist and one (1) foot above the ankle, or the complete,
6 irrevocable loss of the sight of both eyes shall be considered as total and
7 permanent.

8 (b) In determining whether the disability meets the requirement of this section,
9 any reasonable accommodation provided by the employer as provided in 42
10 U.S.C. sec. 12111(9) and 29 C.F.R. pt. 1630 shall be considered.

11 (c) If the board determines that the total and permanent disability of a member
12 receiving a retirement allowance under this section has ceased, then the
13 board shall determine if the member has a hazardous disability as defined
14 by Section 2 of this Act.

15 (2) Any person may qualify to retire on disability, subject to the following:

16 (a) The person shall have sixty (60) months of service, twelve (12) of which
17 shall be current service credited under KRS 78.615(1). The service
18 requirement shall be waived if the disability is a total and permanent
19 disability or a hazardous disability and is a direct result of an act in line of
20 duty;

21 (b) For a person whose membership date is prior to August 1, 2004, the person
22 shall not be eligible for an unreduced retirement allowance;

23 (c) The person's application shall be on file in the retirement office no later
24 than twenty-four (24) months after the person's last day of paid
25 employment, as defined in Section 2 of this Act, in a regular full-time
26 position that has been approved as a hazardous position in accordance with
27 Section 6 of this Act;

1 (d) The person shall receive a satisfactory determination pursuant to Section 30
2 of this Act; and

3 (e) A person's disability application based on the same claim of incapacity shall
4 be accepted and reconsidered for disability if accompanied by new objective
5 medical evidence. The application shall be on file in the retirement office no
6 later than twenty-four (24) months after the person's last day of paid
7 employment in a regular full-time hazardous position.

8 (3) Upon the examination of the objective medical evidence by licensed physicians
9 pursuant to Section 30 of this Act, it shall be determined that:

10 (a) The incapacity results from bodily injury, mental illness, or disease. For
11 purposes of this section, "injury" means any physical harm or damage to
12 the human organism other than disease or mental illness;

13 (b) The incapacity is deemed to be permanent; and

14 (c) The incapacity does not result directly or indirectly from:

15 1. Injury intentionally self-inflicted while sane or insane;

16 2. Injury or disease resulting from military service; or

17 3. Bodily injury, mental illness, disease, or condition which pre-existed
18 membership in the system or reemployment, whichever is most recent,
19 unless:

20 a. The disability results from bodily injury, mental illness, disease,
21 or a condition which has been substantially aggravated by an
22 injury or accident arising out of or in the course of employment;
23 or

24 b. The person has at least sixteen (16) years' current or prior
25 service for employment with employers participating in the state-
26 administered retirement systems.

27 For purposes of this subparagraph, "reemployment" shall not mean a

1 change of employment between employers participating in the state-
2 administered retirement systems with no loss of service credit.

3 (4) (a) 1. An incapacity shall be deemed to be permanent if it is expected to
4 result in death or can be expected to last for a continuous period of
5 not less than twelve (12) months from the person's last day of paid
6 employment in a hazardous position.

7 2. The determination of a permanent incapacity shall be based on the
8 medical evidence contained in the member's file and the member's
9 residual functional capacity and physical exertion requirements.

10 (b) The person's residual functional capacity shall be the person's capacity for
11 work activity on a regular and continuing basis. The person's physical
12 ability shall be assessed in light of the severity of the person's physical,
13 mental, and other impairments. The person's ability to walk, stand, carry,
14 push, pull, reach, handle, and other physical functions shall be considered
15 with regard to physical impairments. The person's ability to understand,
16 remember, and carry out instructions and respond appropriately to
17 supervision, coworkers, and work pressures in a work setting shall be
18 considered with regard to mental impairments. Other impairments,
19 including skin impairments, epilepsy, visual sensory impairments, postural
20 and manipulative limitations, and environmental restrictions, shall be
21 considered in conjunction with the person's physical and mental
22 impairments to determine residual functional capacity.

23 (c) The person's physical exertion requirements shall be determined based on
24 the following standards:

25 1. Sedentary work shall be work that involves lifting no more than ten
26 (10) pounds at a time and occasionally lifting or carrying articles such
27 as large files, ledgers, and small tools. Although a sedentary job

1 primarily involves sitting, occasional walking and standing may also
2 be required in the performance of duties.

3 2. Light work shall be work that involves lifting no more than twenty
4 (20) pounds at a time with frequent lifting or carrying of objects
5 weighing up to ten (10) pounds. A job shall be in this category if
6 lifting is infrequently required but walking and standing are
7 frequently required, or if the job primarily requires sitting with
8 pushing and pulling of arm or leg controls. If the person has the
9 ability to perform substantially all of these activities, the person shall
10 be deemed capable of light work. A person deemed capable of light
11 work shall be deemed capable of sedentary work unless the person has
12 additional limitations such as the loss of fine dexterity or inability to
13 sit for long periods.

14 3. Medium work shall be work that involves lifting no more than fifty
15 (50) pounds at a time with frequent lifting or carrying of objects
16 weighing up to twenty-five (25) pounds. If the person is deemed
17 capable of medium work, the person shall be deemed capable of light
18 and sedentary work.

19 4. Heavy work shall be work that involves lifting no more than one
20 hundred (100) pounds at a time with frequent lifting or carrying of
21 objects weighing up to fifty (50) pounds. If the person is deemed
22 capable of heavy work, the person shall also be deemed capable of
23 medium, light, and sedentary work.

24 5. Very heavy work shall be work that involves lifting objects weighing
25 more than one hundred (100) pounds at a time with frequent lifting or
26 carrying of objects weighing fifty (50) or more pounds. If the person is
27 deemed capable of very heavy work, the person shall be deemed

1 capable of heavy, medium, light, and sedentary work.

2 (5) Upon disability retirement from a hazardous position, an employee may receive a
3 disability retirement allowance payable during his lifetime which shall be:

4 (a) For a member who began participating in the system prior to August 1,
5 2004, an annual retirement allowance payable monthly and determined in
6 the same manner as for retirement at his normal retirement date with years
7 of service and final compensation being determined as of the date of his
8 disability, except if the member's total service credit on his last day of paid
9 employment in a regular full-time position is less than twenty (20) years,
10 service shall be added beginning with his last date of paid employment and
11 continuing to his fifty-fifth (55th) birthday. The maximum service credit
12 added shall not exceed the total service the member had on his last day of
13 paid employment, and the maximum service credit for calculating his
14 retirement allowance, including his total service and service added under
15 this section, shall not exceed twenty (20) years;

16 (b) For a member who begins participating on or after August 1, 2004, but
17 prior to January 1, 2014, the higher of twenty-five percent (25%) of the
18 member's monthly final rate of pay or the retirement allowance determined
19 in the same manner as for retirement at his normal retirement date with
20 years of service and final compensation being determined as of the date of
21 his disability; or

22 (c) For a member who begins participating on or after January 1, 2014, in the
23 hybrid cash balance plan as provided by Section 23 of this Act, the disability
24 retirement allowance shall be the higher of twenty-five percent (25%) of the
25 member's monthly final rate of pay or the retirement allowance determined
26 in the same manner as for retirement at his or her normal retirement date
27 under Section 23 of this Act.

1 (6) If the member receives a satisfactory determination of total and permanent
2 disability or hazardous disability pursuant to Section 30 of this Act and the
3 disability is the direct result of an act in line of duty, the member's retirement
4 allowance shall be calculated as follows:

5 (a) For the disabled member, benefits as provided in subsection (5) of this
6 section except that the monthly retirement allowance payable shall not be
7 less than twenty-five percent (25%) of the member's monthly final rate of
8 pay; and

9 (b) For each dependent child of the member on his disability retirement date,
10 who is alive at the time any particular payment is due, a monthly payment
11 equal to ten percent (10%) of the disabled member's monthly final rate of
12 pay; however, total maximum dependent children's benefit shall not exceed
13 forty percent (40%) of the member's monthly final rate of pay. The
14 payments shall be payable to each dependent child, or to a legally appointed
15 guardian or as directed by the system.

16 (7) No benefit provided in this section shall be reduced as a result of any change in
17 the extent of disability of any retired member who is normal retirement age or
18 older.

19 (8) If a regular full-time member in a hazardous position has been approved for
20 benefits under a hazardous disability, the board shall, upon request of the
21 member, permit the member to receive the hazardous disability allowance while
22 accruing benefits in a nonhazardous position, subject to proper medical review of
23 the nonhazardous position's job description by the system's medical examiner.

24 ➔SECTION 28. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
25 TO READ AS FOLLOWS:

26 (1) Once each year following the retirement of a person on a disability retirement
27 allowance, or less frequently as determined by the board's medical examiner but

1 not less than once every five (5) years, the system may require the person, prior to
2 his normal retirement date, to undergo an employment and medical staff review
3 and, if necessary, be required to file at the retirement office on the review form
4 prescribed by the board current employment information and current medical
5 information for the bodily injury, mental illness, or disease for which he receives
6 a disability retirement allowance. The person shall have one hundred eighty (180)
7 days from the day the system mailed the review form to the person's last address
8 on file in the retirement office to file at the retirement office the review form and
9 the current employment and medical information. The person shall certify to the
10 retirement office that the review form, including current employment and
11 medical information, is ready to be evaluated by the medical examiner in
12 accordance with Section 29 of this Act.

13 (2) If, after good faith efforts, the person informs the system that he has been unable
14 to obtain the employment or medical information, the system shall assist the
15 person in obtaining the records and may use the authority granted pursuant to
16 subsection (1) of Section 17 of this Act to obtain the records.

17 (3) If the person fails or refuses to file at the retirement office the review form,
18 including the current employment and medical information, his retirement
19 allowance shall be discontinued or reduced on the first day of the month
20 following the expiration of the one hundred eighty (180) days from the day the
21 system mailed the review form to the person's last address on file in the
22 retirement office. The system shall send notice of the discontinuance or reduction
23 of the disability retirement allowance by United States first-class mail to the
24 person's last address on file in the retirement office. If the person's benefits are
25 discontinued or reduced under this section, his rights to further disability
26 retirement allowances shall cease, except as provided by Section 29 of this Act.

27 ➔SECTION 29. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED

1 TO READ AS FOLLOWS:

2 (1) If the board's medical examiner determines that a recipient of a disability
3 retirement allowance is, prior to his normal retirement date, employed in a
4 position with the same or similar duties, or in a position with duties requiring
5 greater residual functional capacity and physical exertion, as the position from
6 which he was disabled, except where the recipient has returned to work on a trial
7 basis not to exceed nine (9) months, the system may reduce or discontinue the
8 retirement allowance. Each recipient of a disability retirement allowance who is
9 engaged in gainful employment shall notify the system of any employment;
10 otherwise, the system shall have the right to recover payments of a disability
11 retirement allowance made during the employment.

12 (2) If the board's medical examiner determines that a recipient of a disability
13 retirement allowance is, prior to his normal retirement date, no longer
14 incapacitated by the bodily injury, mental illness, or disease for which he receives
15 a disability retirement allowance, the board may reduce or discontinue the
16 retirement allowance.

17 (3) The system shall have full power and exclusive authority to reduce or discontinue
18 a disability retirement allowance and the system shall utilize the services of a
19 medical examiner as provided in Section 30 of this Act, in determining whether to
20 continue, reduce, or discontinue a disability retirement allowance under this
21 section.

22 (a) The system shall select a medical examiner to evaluate the forms and
23 medical information submitted by the person. If there is objective medical
24 evidence of a mental impairment, the medical examiner may request the
25 board's licensed mental health professional to assist in determining the
26 level of the mental impairment.

27 (b) The medical examiners shall be paid a reasonable amount by the retirement

1 system for each case evaluated.

2 (c) The medical examiner shall recommend that disability retirement allowance
3 be continued, reduced, or discontinued.

4 1. If the medical examiner recommends that the disability retirement
5 allowance be continued, the system shall make retirement payments in
6 accordance with the retirement plan selected by the person.

7 2. If the medical examiner recommends that the disability retirement
8 allowance be reduced or discontinued, the system shall send notice of
9 the recommendation by United States first-class mail to the person's
10 last address on file in the retirement office.

11 a. The person shall have sixty (60) days from the day that the
12 system mailed the notice to file at the retirement office additional
13 supporting employment or medical information and certify to the
14 retirement office that the forms and additional supporting
15 employment information or medical information are ready to be
16 evaluated by the medical examiner or to appeal the
17 recommendation of the medical examiner to reduce or
18 discontinue the disability retirement allowance by filing at the
19 retirement office a request for a formal hearing.

20 b. If the person fails or refuses to file at the retirement office the
21 forms, the additional supporting employment information, and
22 current medical information or to appeal the recommendation of
23 the medical examiners to reduce or discontinue the disability
24 retirement allowance, his retirement allowance shall be
25 discontinued on the first day of the month following the
26 expiration of the period of the sixty (60) days from the day the
27 system mailed the notice of the recommendation to the person's

1 last address on file in the retirement office.

2 (d) The medical examiner shall make a recommendation based upon the
3 evaluation of additional supporting medical information submitted in
4 accordance with paragraph (c)2.a. of this subsection.

5 1. If the medical examiner recommends that the disability retirement
6 allowance be continued, the system shall make disability retirement
7 payments in accordance with the retirement plan selected by the
8 person.

9 2. If the medical examiner recommends that the disability retirement
10 allowance be reduced or discontinued based upon the evaluation of
11 additional supporting medical information, the system shall send
12 notice of this recommendation by United States first-class mail to the
13 person's last address on file in the retirement office.

14 a. The person shall have sixty (60) days from the day that the
15 system mailed the notice of the recommendation to appeal the
16 recommendation to reduce or discontinue the disability
17 retirement allowance by filing at the retirement office a request
18 for formal hearing.

19 b. If the person fails or refuses to appeal the recommendation of
20 the medical examiners to reduce or discontinue the disability
21 retirement allowance, his retirement allowance shall be
22 discontinued on the first day of the month following the
23 expiration of the period of the sixty (60) days from the day the
24 system mailed the notice of the recommendation to the person's
25 last address on file in the retirement office.

26 (e) Any person whose disability benefits have been reduced or discontinued,
27 pursuant to paragraph (c)2. or (d)2. of this subsection, may file at the

1 retirement office a request for formal hearing to be conducted in
2 accordance with KRS Chapter 13B. The right to demand a formal hearing
3 shall be limited to a period of sixty (60) days after the person had notice, as
4 described in paragraph (c) or (d) of this subsection. The request for formal
5 hearing shall be filed with the system, at the retirement office in Frankfort.
6 The request for formal hearing shall include a short and plain statement of
7 the reasons the reduction, discontinuance, or denial of disability retirement
8 is being contested.

9 (f) Failure of the person to request a formal hearing within the period of time
10 specified shall preclude the person from proceeding any further with
11 contesting the reduction or discontinuation of disability retirement
12 allowance, except as provided in subsection (6)(d) of this section. This
13 paragraph shall not limit the person's right to appeal to a court.

14 (g) A final order of the board shall be based on substantial evidence appearing
15 in the record as a whole and shall set forth the decision of the board and the
16 facts and law upon which the decision is based. If the board orders that the
17 person's disability retirement allowance be discontinued or reduced, the
18 order shall take effect on the first day of the month following the day the
19 system mailed the order to the person's last address on file in the retirement
20 office. Judicial review of the final board order shall not operate as a stay
21 and the system shall discontinue or reduce the person's disability retirement
22 allowance as provided in this section.

23 (h) Notwithstanding any other provisions of this section, the system may
24 require the person to submit to one (1) or more medical or psychological
25 examinations at any time. The system shall be responsible for any costs
26 associated with any examinations of the person requested by the medical
27 examiner or the system for the purpose of providing medical information

1 deemed necessary by the medical examiner or the system. Notice of the time
2 and place of the examination shall be mailed to the person or his legal
3 representative. If the person fails or refuses to submit to one (1) or more
4 medical examinations, his rights to further disability retirement allowance
5 shall cease.

6 (i) All requests for a hearing pursuant to this section shall be made in writing.

7 (4) The board may establish an appeals committee whose members shall be
8 appointed by the chair and who shall have the authority to act upon the
9 recommendations and reports of the hearing officer pursuant to this section on
10 behalf of the board.

11 (5) Any person aggrieved by a final order of the board may seek judicial review after
12 all administrative appeals have been exhausted by filing a petition for judicial
13 review in the Franklin Circuit Court in accordance with KRS Chapter 13B.

14 (6) If a disability retirement allowance is reduced or discontinued for a person who
15 began participating in the system prior to January 1, 2014, the person may apply
16 for early retirement benefits as provided under Section 20 or 22 of this Act, as
17 applicable, subject to the following provisions:

18 (a) The person may not change his beneficiary or payment option;

19 (b) If the person has returned to employment with an employer participating in
20 the system, the service and creditable compensation shall be used in
21 recomputing his benefit, except that the person's final compensation shall
22 not be less than the final compensation last used in determining his
23 retirement allowance;

24 (c) The benefit shall be reduced as provided by subsection (4) of Section 20 of
25 this Act or subsection (4) of Section 22 of this Act;

26 (d) The person shall remain eligible for reinstatement of his disability
27 allowance upon reevaluation by the medical review board until his normal

1 retirement age. The person shall apply for reinstatement of disability
2 benefits in accordance with the provisions of this section. An application for
3 reinstatement of disability benefits shall be administered as an application
4 under Sections 26 or 27 of this Act, as applicable, and only the bodily
5 injuries, mental illnesses, diseases, or conditions for which the person was
6 originally approved for disability benefits shall be considered. Bodily
7 injuries, mental illnesses, diseases, or conditions that came into existence
8 after the person's last day of paid employment shall not be considered as a
9 basis for reinstatement of disability benefits. Bodily injuries, mental
10 illnesses, diseases, or conditions alleged by the person as being
11 incapacitating, but which were not the basis for the award of disability
12 retirement benefits, shall not be considered. If the person establishes that
13 the disability benefits should be reinstated, the system shall pay disability
14 benefits effective from the first day of the month following the month in
15 which the person applied for reinstatement of the disability benefits; and
16 (e) Upon attaining normal retirement age, the person shall receive the higher
17 of either his disability retirement allowance or his early retirement
18 allowance.
19 (7) No disability retirement allowance shall be reduced or discontinued by the system
20 after the person's normal retirement date except in case of reemployment as
21 provided for by Section 42 of this Act. If a disability retirement allowance has
22 been reduced or discontinued, except if the person is reemployed as provided for
23 by Section 42 of this Act, the retirement allowance shall be reinstated upon
24 attainment of the person's normal retirement date to the retirement allowance
25 prior to adjustment. No reinstated payment shall be less than the person is
26 receiving upon attainment of the person's normal retirement date.

27 ➔SECTION 30. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED

1 TO READ AS FOLLOWS:

- 2 (1) The board shall employ at least three (3) physicians, licensed in the state and not
3 members of the system, upon terms and conditions it prescribes to serve as
4 medical examiners, whose duty it shall be to pass upon all medical examinations
5 required under KRS 78.510 to 78.852, to investigate all health or medical
6 statements and certificates made by or in behalf of any person in connection with
7 the payment of money to the person under KRS 78.510 to 78.852, and who shall
8 report in writing to the system the conclusions and recommendations upon all
9 matters referred to them. The board may employ one (1) or more licensed mental
10 health professionals in making recommendations regarding mental impairments.
- 11 (2) (a) Each person requesting disability retirement shall file at the retirement
12 office an application for disability retirement and supporting medical
13 information to report the person's physical and mental condition. The
14 person shall also file at the retirement office a complete description of the
15 job and duties from which he received his last pay as well as evidence that
16 the person has made a request for reasonable accommodation as provided
17 for in 42 U.S.C. sec. 12111(9) and 29 C.F.R. pt. 1630. The person shall
18 certify to the retirement office that the application for disability retirement
19 and supporting medical information are ready to be evaluated by the
20 medical examiners in accordance with paragraph (d) of this subsection. If,
21 after good faith efforts, the person informs the system that he has been
22 unable to obtain the employment or medical information, the system shall
23 assist the person in obtaining the records and may use the authority granted
24 pursuant to subsection (1) of Section 17 of this Act to obtain the records. If
25 the person fails to file, at the retirement office within one hundred eighty
26 (180) days of the date the person filed his notification of retirement, any of
27 the forms, certifications, or information required by this subsection, the

1 person's application for disability retirement shall be void. Any subsequent
2 filing of an application for disability retirement or supporting medical
3 information shall not be evaluated, except as provided in paragraph (f) of
4 this subsection or subsection (2) of Section 26 of this Act or paragraph
5 (2)(e) of Section 27 of this Act.

6 (b) The employer shall file at the retirement office a complete description of the
7 job and duties for which the person was last paid and shall submit a
8 detailed description of reasonable accommodations attempted.

9 (c) The cost of medical examinations and the filing of the medical information,
10 reports, or data with the retirement office shall be paid by the person
11 applying for disability retirement.

12 (d) The system shall select three (3) medical examiners to evaluate the medical
13 evidence submitted by the person. The medical examiners shall recommend
14 that disability retirement be approved, or that disability retirement be
15 denied. If there is evidence of a mental impairment, the medical examiners
16 may request the board's licensed mental health professional to assist in
17 determining the level of the mental impairment.

18 (e) If two (2) or more of the three (3) medical examiners recommend that the
19 person be approved for disability retirement, the system shall make
20 retirement payments in accordance with the retirement plan selected by the
21 person.

22 (f) If two (2) or more of the three (3) medical examiners recommend that the
23 person be denied disability retirement, the system shall send notice of this
24 recommendation by United States first-class mail to the person's last
25 address on file in the retirement office. The person shall have one hundred
26 eighty (180) days from the day that the system mailed the notice to file at the
27 retirement office additional supporting medical information and certify to

1 the retirement office that the application for disability retirement and
2 supporting medical information are ready to be evaluated by the medical
3 examiners or to appeal his denial of disability retirement by filing at the
4 retirement office a request for a formal hearing. Any subsequent filing of
5 an application for disability retirement or supporting medical information
6 shall not be evaluated, except as provided in subsection (2) of Section 26 of
7 this Act or paragraph (2)(e) of Section 27 of this Act.

8 (g) If two (2) or more of the three (3) medical examiners recommend that the
9 person be approved for disability retirement based upon the evaluation of
10 additional supporting medical information in accordance with paragraph
11 (f) of this subsection, the system shall make retirement payments in
12 accordance with the retirement plan selected by the person.

13 (h) If two (2) or more of the three (3) medical examiners recommend that the
14 person be denied disability retirement based upon the evaluation of
15 additional supporting medical information in accordance with paragraph
16 (f) of this subsection, the system shall send notice of this recommendation
17 by United States first-class mail to the person's last address on file in the
18 retirement office. The person shall have one hundred eighty (180) days
19 from the day that the system mailed the notice to appeal his denial of
20 disability retirement by filing at the retirement office a request for a formal
21 hearing.

22 (i) The medical examiners shall be paid a reasonable amount by the retirement
23 system for each case evaluated.

24 (j) Notwithstanding the foregoing provisions of this section, the system may
25 pay for one (1) or more medical examinations of the person requested by the
26 medical examiners for the purpose of providing medical information
27 deemed necessary by the medical examiners. The system may require the

1 person to submit to one (1) or more medical examinations.

2 (3) (a) Any person whose disability benefits have been reduced, discontinued, or
3 denied pursuant to subsection (2)(f) or (2)(h) of this section may file at the
4 retirement office a request for a formal hearing to be conducted in
5 accordance with KRS Chapter 13B. The right to demand a formal hearing
6 shall be limited to a period of one hundred eighty (180) days after the
7 person had notice of the system's determination, as described in subsection
8 (2)(f) or (2)(h) of this section. The request for a formal hearing shall be
9 filed with the executive director, at the retirement office in Frankfort. The
10 request for a formal hearing shall include a short and plain statement of the
11 reasons the denial of disability retirement is being contested.

12 (b) Failure of the person to request a formal hearing within the period of time
13 specified shall preclude the person from proceeding any further with the
14 application for disability retirement, except as provided in subsection (2) of
15 Section 26 of this Act or paragraph (2)(e) of Section 27 of this Act. This
16 paragraph shall not limit the person's right to appeal to a court.

17 (c) The system may require the person requesting the formal hearing to submit
18 to one (1) or more medical or psychological examinations. Notice of the
19 time and place of the examination shall be mailed to the person or his legal
20 representative. The system shall be responsible for the cost of the
21 examination.

22 (d) A final order of the board shall be based on substantial evidence appearing
23 in the record as a whole and shall set forth the decision of the board and the
24 facts and law upon which the decision is based.

25 (e) All requests for a hearing pursuant to this section shall be made in writing.

26 (4) The board may establish an appeals committee whose members shall be
27 appointed by the chair and who shall have the authority to act upon the

1 recommendations and reports of the hearing officer pursuant to this section on
2 behalf of the board.

3 (5) Any person aggrieved by a final order of the board may seek judicial review after
4 all administrative appeals have been exhausted by filing a petition for judicial
5 review in the Franklin Circuit Court in accordance with KRS Chapter 13B.

6 (6) The system, pursuant to regulations, may refer an employee determined by it to
7 be disabled to the Kentucky Office of Vocational Rehabilitation for evaluation
8 and, if appropriate, retraining.

9 (a) The cost of the evaluation and retraining shall be paid by the system in
10 accordance with the regulations established by the board.

11 (b) The member shall perform all acts that are necessary to enroll in and satisfy
12 the requirements of Vocational Rehabilitation as prescribed by the board.
13 This shall include the exchange of confidential information between
14 County Employees Retirement System and the Kentucky Office of
15 Vocational Rehabilitation as necessary to conduct the rehabilitation
16 process. Failure of the member to cooperate with the system or Vocational
17 Rehabilitation may result in his disability allowance being discontinued,
18 reduced, or denied until the member complies with the agency requests. If
19 the refusal continues for one (1) year, all his rights to any further disability
20 allowance shall cease.

21 ➔SECTION 31. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
22 TO READ AS FOLLOWS:

23 (1) If a member dies prior to the first day of the month in which the member would
24 have received his or her first retirement allowance, the member's beneficiary
25 shall be eligible for the benefits provided by this section if the member had on file
26 a written designation of a beneficiary with the retirement office as provided by
27 Section 19 of this Act and the member met the following conditions at the date of

1 his or her death:

2 (a) 1. The member had service in a nonhazardous position and was eligible
3 to retire under subsection (2) or (3) of Section 20 of this Act or
4 subsection (6) of Section 21 of this Act; or

5 2. The member had service in a hazardous position and was eligible to
6 retire under subsection (2) or (3) of Section 22 of this Act or
7 subsection (6) of Section 23 of this Act;

8 (b) The member was in active employment or on authorized leave of absence
9 with five (5) or more years of service credit and died prior to his or her
10 normal retirement date; or

11 (c) The member was not in active employment or on authorized leave of
12 absence with twelve (12) or more years of service credit and died prior to his
13 or her normal retirement date.

14 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section
15 is a single person, then the beneficiary may elect to receive:

16 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
17 benefit that would have been paid had the member retired immediately prior
18 to his or her date of death and elected to receive benefits payable under the
19 survivorship one hundred percent (100%) option as provided in subsection
20 (2) of Section 24 of this Act;

21 (b) A monthly benefit payable for the life of the beneficiary under the
22 beneficiary Social Security adjustment option as provided in subsection (9)
23 of Section 24 of this Act that is the actuarial equivalent to the amount
24 computed under paragraph (a) of this subsection;

25 (c) A monthly benefit payable for a period of sixty (60) months that is the
26 actuarial equivalent to the amount computed under paragraph (a) of this
27 subsection;

- 1 (d) A monthly benefit payable for a period of one hundred twenty (120) months
2 that is the actuarial equivalent to the amount computed under paragraph
3 (a) of this subsection;
- 4 (e) If the member began participating in the system prior to January 1, 2014, a
5 monthly benefit payable for a period of one hundred twenty (120) months
6 that is equivalent to the benefit the member would have been entitled to
7 receive based on his or her years of service and final compensation at the
8 date of his or her death reduced by the survivorship fifty percent (50%)
9 factor as provided for in subsection (4) of Section 24 of this Act, then
10 reduced by fifty percent (50%), and that is the actuarial equivalent to the
11 amount computed under paragraph (a) of this subsection; or
- 12 (f) The higher of a refund of the member's accumulated account balance as
13 described in subsection (1) of Section 35 of this Act or one (1) time lump-
14 sum payment which shall be the actuarial equivalent of the amount payable
15 under paragraph (a) of this subsection for a period of sixty (60) months.
- 16 (3) If the beneficiary eligible for benefits as provided by subsection (1) of this section
17 are multiple beneficiaries or a trust, then the multiple beneficiaries by consensus
18 or the trustee may elect to receive the actuarial equivalent amounts payable under
19 subsection (2)(c), (d), (e), or (f) of this section using the assumption that the
20 beneficiary's age is the same as the member's age.
- 21 (4) If the beneficiary eligible for benefits as provided in subsection (1) of this section
22 is the member's estate, then the beneficiary shall receive the higher of a refund of
23 the member's accumulated account balance as described in subsection (1) of
24 Section 35 of this Act or the one (1) time lump-sum payment payable under
25 subsection (2)(f) of this section, using the assumption that the beneficiary's age is
26 the same as the member's age.
- 27 (5) Payments of taxable distributions made pursuant to this section shall be subject

1 to state and federal income tax as appropriate.

2 (6) (a) A person with service in a nonhazardous position who dies as a result of an
3 act occurring in the line of duty shall be eligible for benefits from the
4 system based upon the criteria and benefits specified by KRS 61.621.

5 (b) A person with service in a hazardous position who dies as a result of an act
6 occurring in the line of duty shall be eligible for benefits from the system
7 based upon the criteria and benefits specified by Section 33 of this Act.

8 ➔SECTION 32. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
9 TO READ AS FOLLOWS:

10 (1) A member or beneficiary eligible to receive retirement benefits under any of the
11 provisions of KRS 78.510 to 78.852 shall have on file at the retirement office on
12 the form prescribed by the board, notification of retirement, giving his name,
13 address, Social Security number, last day of employment, and other information
14 the system may require. The form entitled "Notification of Retirement" shall not
15 be filed more than six (6) months before the member's effective retirement date.

16 (2) Within ten (10) days of the receipt of the form entitled "Notification of
17 Retirement" submitted within two (2) months of the effective date of retirement,
18 the system shall cause to be prepared an estimate of the amounts the member or
19 beneficiary may expect to receive under the various payment options available to
20 the member or beneficiary. This information shall be recorded on a form entitled
21 "Estimated Retirement Allowance" and forwarded to the member or beneficiary.
22 If the member submits a form entitled "Notification of Retirement" more than
23 two (2) months prior to the effective retirement date, the system shall provide the
24 form entitled "Estimated Retirement Allowance" within forty-five (45) days of the
25 member's effective retirement date.

26 (3) The member or beneficiary shall file at the retirement office the form entitled
27 "Estimated Retirement Allowance" after he has checked the payment option of

1 his choice, signed the document, and had his signature witnessed. A member
2 shall not have the right to select a different payment option after the first day of
3 the month in which the member receives his or her first retirement allowance. A
4 beneficiary shall not have the right to select a different payment option after the
5 effective date of the beneficiary's retirement allowance as provided in subsection
6 (7) of this section.

7 (4) A member or beneficiary choosing a monthly payment option shall have on file at
8 the retirement office his birth certificate or other acceptable evidence of date of
9 birth. If a survivorship option is chosen, proof of dates of birth of the beneficiary
10 and member shall be on file at the retirement office.

11 (5) (a) Normal Retirement. For a member normal retirement age or older, the
12 effective date of retirement shall be the first month following the month in
13 which employment was terminated from a regular full-time position.

14 (b) Disability Retirement. For a member retiring under the disability provisions
15 of KRS 78.510 to 78.852, the effective date of disability retirement shall be
16 the first month following the month in which the member's last day of paid
17 employment in a regular full-time position occurred, provided the member
18 files the form entitled "Estimated Retirement Allowance" no later than six
19 (6) months following the date the notification of approval for disability
20 retirement benefits is mailed. If the member fails to file the form entitled
21 "Estimated Retirement Allowance" within six (6) months of the date the
22 notification of approval for disability retirement benefits is mailed, then the
23 member's form entitled "Notification of Retirement" shall be void. The
24 member shall be required to submit a new form entitled "Notification of
25 Retirement" to apply for disability retirement and reestablish eligibility for
26 disability retirement benefits.

27 (c) Early Retirement. The effective date of retirement for a member who has

1 not attained normal retirement age shall be the first month following the
 2 month the form entitled "Notification of Retirement" is filed at the
 3 retirement office or a future month designated by the member, if
 4 employment in a regular full-time position has been terminated and if the
 5 member files the form entitled "Estimated Retirement Allowance" no later
 6 than six (6) months following termination. If the member fails to file the
 7 form entitled "Estimated Retirement Allowance" within six (6) months
 8 following the effective retirement date of the member, then the member's
 9 form entitled "Notification of Retirement" shall be void and the member
 10 shall be required to submit a new form entitled "Notification of
 11 Retirement" to apply for retirement.

12 (6) Notwithstanding the provisions of KRS Section 31 of this Act, the effective date of
 13 a beneficiary's retirement allowance shall be as prescribed in subsection (5) of
 14 this section, as applicable, if the member dies before the first day of the month in
 15 which the member would have received his or her first retirement allowance and
 16 his beneficiary becomes eligible for payments under Section 31 of this Act.

17 ➔SECTION 33. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 18 TO READ AS FOLLOWS:

19 The provisions of this section shall apply to members in a hazardous position.

20 (1) If the death of a member in service occurs on or after August 1, 1992, as a direct
 21 result of an act in line of duty and the member has on file in the retirement office
 22 at the time of his or her death a written designation of only one (1) beneficiary,
 23 who is his or her spouse, the beneficiary may elect to receive a lump-sum
 24 payment of ten thousand dollars (\$10,000) and a monthly payment equal to
 25 twenty-five percent (25%) of the member's monthly final rate of pay beginning in
 26 the month following the member's death and continuing each month until death.

27 (2) If the death of a member in service occurs on or after July 1, 1968, as a direct

1 result of an "act in line of duty" and the member has on file in the retirement
2 office at the time of his or her death a written designation of only one (1)
3 beneficiary other than his or her spouse, who is a dependent receiving at least
4 one-half (1/2) of his or her support from the deceased member, the beneficiary
5 may elect to receive a lump-sum payment of ten thousand dollars (\$10,000).

6 (3) In the period of time following a member's death during which dependent
7 children survive, monthly payments shall be made for each dependent child who
8 is alive, equal to ten percent (10%) of the deceased member's monthly final rate
9 of pay; however, total maximum dependent children's benefits shall not be
10 greater than forty percent (40%) of the deceased member's monthly final rate of
11 pay at the time any particular payment is due. The payments shall commence in
12 the month following the date of death of the member and shall be payable to the
13 beneficiaries, or to a legally appointed guardian or as directed by the system.
14 Benefits shall be payable under this subsection notwithstanding an election by a
15 beneficiary to withdraw the deceased member's accumulated account balance as
16 provided in Section 35 of this Act or benefits under any other provisions of KRS
17 78.510 to 78.852.

18 (4) A beneficiary eligible for benefits under subsection (1) or (2) of this section who
19 is also eligible for benefits under any other provisions of KRS 78.510 to 78.852
20 may elect benefits under this section or any other section of KRS 78.510 to 78.852
21 but cannot elect to receive both.

22 (5) (a) A beneficiary applying for benefits under subsection (1) or (2) of this
23 section who is also eligible for benefits under Section 31 of this Act may
24 elect to receive benefits under paragraph (2)(a) or (b) of Section 31 of this
25 Act while the application for benefits under subsection (1) or (2) of this
26 section is pending.

27 (b) If a final determination results in a finding of eligibility for benefits under

1 subsection (1) or (2) of this section, the system shall recalculate the benefits
2 due the beneficiary in accordance with this subsection.

3 (c) If the beneficiary has been paid less than the amount of benefits to which
4 the beneficiary was entitled to receive under this section, the system shall
5 pay the additional funds due to the beneficiary.

6 (d) If the beneficiary has been paid more than the amount of benefits to which
7 the beneficiary was entitled to receive under this section, the system shall
8 deduct the amount overpaid to the beneficiary from the ten thousand dollars
9 (\$10,000) lump-sum payment and from the monthly retirement allowance
10 payments until the amount owed to the system has been recovered.

11 ➔SECTION 34. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
12 TO READ AS FOLLOWS:

13 (1) If a retired member who did not elect an optional retirement plan as provided by
14 Section 24 of this Act dies at any time on or after the first day of the month in
15 which the member received or would have received his or her first retirement
16 allowance but before receiving total retirement allowances provided in KRS
17 78.520 to 78.852 at least equal to his accumulated contributions as of the date of
18 his retirement, the difference between the accumulated contributions and the
19 total allowances shall be payable in a lump sum to the properly designated
20 beneficiary. If a living person designated as the beneficiary predeceases the
21 retired member, the estate shall become the beneficiary. If a spouse designated as
22 the beneficiary is divorced from the retired member as of the member's death, the
23 estate shall become the beneficiary.

24 (2) If a retired member who elected an optional retirement plan as provided by
25 Section 24 of this Act and his beneficiary both die at any time on or after the first
26 day of the month in which the member received or would have received his or her
27 first retirement allowance but before receiving total retirement allowances

1 provided in KRS 78.520 to 78.852 at least equal to the retired member's
2 accumulated contributions as of the date of his retirement, the difference between
3 the accumulated contributions and the total allowances shall be payable in a
4 lump sum to the estate of the last deceased, except that the retired member's
5 estate shall receive the payment if the beneficiary was the spouse and they were
6 divorced as of the date of the member's death. If the retired member and
7 beneficiary die simultaneously, the estate of the retired member shall become the
8 beneficiary.

9 (3) If a beneficiary receiving a lifetime retirement allowance under Section 31 of this
10 Act dies before receiving total retirement allowances provided in KRS 78.510 to
11 78.852 at least equal to the member's accumulated contributions as of the date of
12 the member's death, the difference between the accumulated contributions and
13 the total allowances shall be payable in a lump sum to the estate of the
14 beneficiary.

15 (4) If a beneficiary receiving a retirement allowance for sixty (60) or one hundred
16 twenty (120) months certain under Section 31 of this Act, or a beneficiary
17 receiving a retirement allowance under subsection (5), (6), (7), or (13) of Section
18 24 of this Act, dies before receiving all payments under the plan, the executor or
19 administrator of his estate shall receive a lump sum payment which shall be the
20 actuarial equivalent to the remaining payments.

21 (5) If the system is unable to verify a recipient's whereabouts or whether the recipient
22 is living, the system shall suspend the recipient's retirement allowance. If the
23 recipient is located, the system shall restore to the recipient all suspended
24 retirement allowances.

25 ➔SECTION 35. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
26 TO READ AS FOLLOWS:

27 (1) (a) Prior to the member's effective retirement date, a member if living, or if not

1 living, his designated beneficiary, shall have the right to request a refund of
 2 his accumulated account balance if the member's employment has been
 3 terminated and the member is not participating in the system.

4 (b) Upon the death of a member occurring on or after his or her effective
 5 retirement date, the member's beneficiary shall have the right to request a
 6 refund of the member's accumulated contributions, reduced by the amount
 7 of any retirement allowances previously received.

8 (2) Payments made under this section shall be in lieu of any other benefits due for
 9 the period of service under any of the provisions of KRS 78.510 to 78.852, unless
 10 the period of service is regained as provided under subsection (3) of Section 10 of
 11 this Act. Payments of taxable distributions made pursuant to this section shall be
 12 subject to state and federal tax as appropriate.

13 (3) A refund of contributions of members whose benefits have been terminated
 14 pursuant to KRS 6.696 shall be governed by that section.

15 (4) A refund of contributions to members whose benefits have been terminated
 16 pursuant to paragraph (4)(c) of Section 4 of this Act shall be governed by the
 17 provisions of that subsection.

18 ➔SECTION 36. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 19 TO READ AS FOLLOWS:

20 (1) Upon the death of a member, retiree, or recipient who has an existing account or
 21 other benefit in the system that totals no more than one thousand dollars
 22 (\$1,000), the surviving spouse, or if none, a surviving child, or if none, a
 23 surviving parent, or if none, a surviving brother or sister, may without formal
 24 administration of the estate collect the account subject to the provisions of this
 25 section.

26 (2) The surviving spouse, child, parent, or brother or sister who makes demand for
 27 the deceased member, retiree, or recipient account shall file with the retirement

1 office an affidavit stating that he or she is entitled to payment of the account. The
2 affidavit shall conform to the requirements of the administrative regulation
3 promulgated by the board.

4 (3) After having paid the account to the surviving spouse, child, parent, or brother or
5 sister, the retirement system shall be discharged and held harmless to the same
6 extent as if conducting business with a personal representative. The system shall
7 not be required to inquire into the truth or veracity of any statement made in the
8 affidavit. In the event any person or entity establishes a superior right to the
9 account, the surviving spouse, child, parent, or brother or sister, and not the
10 system, shall be answerable and accountable to any appointed personal
11 representative for the estate.

12 ➔SECTION 37. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
13 TO READ AS FOLLOWS:

14 (1) The annual retirement allowance for a member of the system shall not exceed the
15 maximum benefit as set forth in the Internal Revenue Code.

16 (2) (a) The retirement allowance for a member of the system shall be calculated by
17 using the member's known creditable compensation prior to his or her last
18 month's employment and an estimate of his or her creditable compensation
19 during the last month he or she was employed. Based upon this calculation,
20 the State Treasurer shall be requested to issue the initial retirement
21 payment.

22 (b) A new calculation shall be made when the official report has been received
23 of the member's creditable compensation during his or her last month's
24 employment. However, the retirement allowance determined in accordance
25 with paragraph (a) of this subsection shall be the official retirement
26 allowance unless the new calculation derives an amount which is two
27 dollars (\$2) greater or less than the amount of the initial retirement

1 payment. If the member or beneficiary chose an actuarial equivalent refund
2 payment option, the amount of estimated retirement allowance shall be the
3 official retirement allowance unless the new calculation produces an
4 amount which is one hundred dollars (\$100) greater or less than the
5 amount of the initial retirement payment.

6 ➔SECTION 38. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
7 TO READ AS FOLLOWS:

8 (1) A recipient who begins receiving a retirement allowance August 1, 2000, or after,
9 from the County Employees Retirement System shall have the retirement
10 allowance paid by electronic fund transfer to a financial institution designated by
11 the recipient except as provided by subsection (5) of this section.

12 (2) When an individual becomes eligible to receive a monthly retirement allowance,
13 the retirement system shall provide an authorization for deposit of retirement
14 payment form to the recipient to have the monthly retirement allowance deposited
15 to an account in a financial institution.

16 (3) The recipient shall provide the information and authorization required for the
17 electronic transfer of funds from the State Treasurer's office to the designated
18 financial institution.

19 (4) At any time while receiving a retirement allowance, the recipient may change the
20 designated institution by completing a new authorization for deposit of retirement
21 payment form and filing the form at the retirement office in Frankfort. The last
22 authorization for deposit of retirement payment on file at the retirement office
23 shall control the electronic transfer of the recipient's retirement allowance.

24 (5) (a) A recipient may request to be paid by check issued by the State Treasurer
25 instead of by electronic transfer by completing and filing at the retirement
26 office a request for payment by check form.

27 (b) The request shall be approved if:

1 1. The recipient certifies that he does not currently have an account with
2 a financial institution; or

3 2. The recipient's bank certifies that it does not participate in the
4 electronic funds transfer program.

5 (c) The retirement office shall, every five (5) years, require the recipient to
6 certify that the original conditions under which he requested payment by
7 check continue. If the original conditions do not exist, the recipient shall
8 complete an authorization for direct deposit of retirement payment form
9 and file it with the retirement office.

10 ➔SECTION 39. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
11 TO READ AS FOLLOWS:

12 (1) (a) There is hereby created and established a trust fund to be known as
13 "County Employees Retirement System insurance trust fund." All assets
14 received in the trust fund shall be deemed trust funds to be held and applied
15 solely as provided in this section. Assets of the trust fund shall not be used
16 for any other purpose and shall not be used to pay the claims of creditors or
17 any individual, person, or employer participating in the County Employees
18 Retirement System.

19 (b) The trust fund is intended to be established as a trust exempt from taxation
20 under 26 U.S.C. sec. 115.

21 (2) The trust fund is created for the purpose of providing a trust separate from the
22 retirement funds. Trust fund assets are dedicated for use for health benefits as
23 provided in Section 40 of this Act, and as permitted under 26 U.S.C. secs. 105 and
24 106, to retired recipients and employees of employers participating in the County
25 Employees Retirement System and to certain of their dependents or beneficiaries,
26 including but not limited to qualified beneficiaries as described in 42 U.S.C. secs.
27 300bb-1 et seq.

1 (3) The trust fund shall be administered by the board of trustees of the County
 2 Employees Retirement System and the board shall serve as trustees of the fund.
 3 The board shall manage the assets of the fund in the same manner in which it
 4 administers the retirement funds, except that separate accounting and financial
 5 reporting shall be maintained for the trust fund.

6 (4) In addition to the requirements of subsection (2) of this section, the employers
 7 participating in the trust fund are limited to the Commonwealth, political
 8 subdivisions of the Commonwealth, and entities whose income is exempt from
 9 taxation under 26 U.S.C. sec. 115. No other entity may participate in the trust
 10 fund.

11 (5) If the trust fund is terminated, the assets in the trust fund may revert, after the
 12 payment of all liabilities, to the participating employers as determined by the
 13 board of trustees.

14 (6) The board of trustees may adopt regulations and procedures and take all action
 15 necessary and appropriate to provide that the income of the trust fund is exempt
 16 from taxation under Title 26 of United States Code.

17 (7) The establishment of County Employees Retirement System insurance trust fund
 18 shall not diminish or expand the rights of any recipients, employees, or
 19 dependents to health benefits.

20 ➔SECTION 40. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 21 TO READ AS FOLLOWS:

22 (1) For purposes of this section:

23 (a) "Hospital and medical insurance plan" may include, at the board's
 24 discretion, any one (1) or more of the following:

25 1. Any hospital and medical expense policy or certificate, provider-
 26 sponsored integrated health delivery network, self-insured medical
 27 plan, health maintenance organization contract, or other health

1 benefit plan;

2 2. Any health savings account as permitted by 26 U.S.C. sec. 223 or
 3 health reimbursement arrangement or a similar account as may be
 4 permitted by 26 U.S.C. sec. 105 or 106. Such arrangement or account,
 5 at the board's discretion, may reimburse any medical expense
 6 permissible under 26 U.S.C. sec. 213; or

7 3. A medical insurance reimbursement program established by the board
 8 through the promulgation of administrative regulation under which
 9 members purchase individual health insurance coverage through a
 10 health insurance exchange established under 42 U.S.C. sec. 18031 or
 11 18041;

12 (b) "Monthly contribution rate" shall be the amount determined by the board
 13 based upon the requirements of paragraphs (4)(a) to (4)(c) of this section,
 14 except that for members who began participating in the system on or after
 15 July 1, 2003, the term shall mean the amount determined in paragraph
 16 (4)(d) of this section; and

17 (c) "Months of service" shall mean the total months of combined service used
 18 to determine benefits under the system, except service added to determine
 19 disability benefits or service otherwise prohibited from being used to
 20 determine retiree health benefits under KRS 78.510 to 78.852 shall not be
 21 counted as "months of service."

22 (2) (a) 1. The board of trustees of the system shall arrange by appropriate
 23 contract or on a self-insured basis to provide a group hospital and
 24 medical insurance plan coverage for:

25 a. Present and future recipients of a retirement allowance from the
 26 County Employees Retirement System; and

27 b. The spouse and each qualified dependent of a recipient who is a

1 former member or the beneficiary, provided the spouse and
2 dependent meet the requirements to participate in the hospital
3 and medical insurance plans established, contracted, or
4 authorized by the system.

5 2. Any recipient who chooses coverage under a hospital and medical
6 insurance plan shall pay, by payroll deduction from the retirement
7 allowance or by another method, the difference between the premium
8 cost of the hospital and medical insurance plan coverage selected and
9 the monthly contribution rate to which he or she would be entitled
10 under this section.

11 (b) 1. For present and future recipients of a retirement allowance from the
12 system who are not eligible for Medicare, the board may authorize
13 these participants to be included in the Kentucky Employees Health
14 Plan as provided by KRS 18A.225 to 18A.2287 and shall provide
15 benefits for recipients in the plan equal to those provided to state
16 employees having the same Medicare hospital and medical insurance
17 eligibility status. Notwithstanding the provisions of any other statute,
18 system recipients shall be included in the same class as current state
19 employees for purposes of determining medical insurance policies and
20 premiums in the Kentucky Employees Health Plan as provided by
21 KRS 18A.225 to 18A.2287.

22 2. Regardless of age, if a recipient or the spouse or dependent child of a
23 recipient who elects coverage becomes eligible for Medicare, he or she
24 shall participate in the plans offered by the systems for Medicare
25 eligible recipients. Individuals participating in the Medicare eligible
26 plans shall be required to obtain and pay for Medicare Part A and
27 Part B coverage in order to participate in the Medicare eligible plans

1 offered by the system.

2 3. The system shall continue to provide the same hospital and medical
3 insurance plan coverage for recipients and qualifying dependents
4 after the age of sixty-five (65) as before the age of sixty-five (65), if the
5 recipient is not eligible for Medicare coverage.

6 (c) For recipients of a retirement allowance who are not eligible for the same
7 level of hospital and medical benefits as recipients living in Kentucky
8 having the same Medicare hospital and medical insurance eligibility status,
9 the board shall provide a medical insurance reimbursement plan as
10 described in subsection (6) of this section.

11 (d) Notwithstanding anything in KRS Chapter 78 to the contrary, the board of
12 trustees, in its discretion, may take necessary steps to ensure compliance
13 with 42 U.S.C. secs. 300bb-1 et seq.

14 (3) (a) Each employer participating in the County Employees Retirement System as
15 provided in KRS 78.510 to 78.852 shall contribute to the County Employees
16 Retirement System insurance trust fund the amount necessary to provide
17 the monthly contribution rate as provided for under this section. Such
18 employer contribution rate shall be developed by appropriate actuarial
19 method as a part of the determination of each respective employer
20 contribution rate determined under Section 12 of this Act.

21 (b) 1. Each employer described in paragraph (a) of this subsection shall
22 deduct from the creditable compensation of each member whose
23 membership date begins on or after September 1, 2008, an amount
24 equal to one percent (1%) of the member's creditable compensation.
25 The deducted amounts shall be credited to accounts established
26 pursuant to 26 U.S.C. sec. 401(h), within the funds established in KRS
27 78.520.

- 1 2. The employer shall file the contributions as provided by subparagraph
2 1. of this paragraph at the retirement office in accordance with
3 Section 13 of this Act. Any interest or penalties paid on any delinquent
4 contributions shall be credited to accounts established pursuant to 26
5 U.S.C. sec. 401(h), within the funds established in KRS 78.520.
6 Notwithstanding any minimum compensation requirements provided
7 by law, the deductions provided by this paragraph shall be made, and
8 the compensation of the member shall be reduced accordingly.
- 9 3. Each employer shall submit payroll reports, contributions lists, and
10 other data as may be required by administrative regulation
11 promulgated by the board of trustees pursuant to KRS Chapter 13A.
- 12 4. Every member shall be deemed to consent and agree to the deductions
13 made pursuant to this paragraph, and the payment of salary or
14 compensation less the deductions shall be a full and complete
15 discharge of all claims for services rendered by the person during the
16 period covered by the payment, except as to any benefits provided by
17 KRS 78.510 to 78.852. No member may elect whether to participate in,
18 or choose the contribution amount to accounts established pursuant to
19 26 U.S.C. sec. 401(h) within the funds established in KRS 78.520. The
20 member shall have no option to receive the contribution required by
21 this paragraph directly instead of having the contribution paid to
22 accounts established pursuant to 26 U.S.C. sec. 401(h) within the
23 funds established in KRS 78.520. No member may receive a rebate or
24 refund of contributions. If a member establishes a membership date
25 prior to September 1, 2008, pursuant to subsection (2) or (3) of Section
26 10 of this Act, then this paragraph shall not apply to the member and
27 all contributions previously deducted in accordance with this

1 paragraph shall be refunded to the member without interest. The
2 contribution made pursuant to this paragraph shall not act as a
3 reduction or offset to any other contribution required of a member or
4 recipient under KRS 78.510 to 78.852.

5 5. The board of trustees, at its discretion, may direct that the
6 contributions required by this paragraph be accounted for within
7 accounts established pursuant to 26 U.S.C. sec. 401(h) within the
8 funds established in KRS 78.520 through the use of separate accounts.

9 (4) (a) The premium required to provide hospital and medical insurance plan
10 coverage under this section shall be paid wholly or partly from funds
11 contributed by:

12 1. The recipient of a retirement allowance, by payroll deduction from his
13 or her retirement allowance, or by other method;

14 2. The County Employees Retirement System insurance trust fund or
15 accounts established pursuant to 26 U.S.C. sec. 401(h) within the
16 funds established in KRS 78.520;

17 3. Another state-administered retirement system under a reciprocal
18 arrangement, except that any portion of the premium paid from the
19 funds specified by subparagraph 2. of this paragraph under a
20 reciprocal agreement shall not exceed the amount that would be
21 payable under this section if all the member's service were in the
22 County Employees Retirement System; or

23 4. A combination of the fund sources described by subparagraph 1. to 3.
24 of this paragraph.

25 (b) For a member who began participating in the system prior to July 1, 2003,
26 the monthly contribution rate shall be paid by the system from the funds
27 specified under paragraph (a)2. of this subsection and shall be equal to a

1 percentage of the single premium to cover the retired member as follows:

2 1. One hundred percent (100%) of the monthly premium for single
3 coverage shall be paid for a retired member who had two hundred and
4 forty (240) months of service or more upon retirement or for a retired
5 member who when he or she was an employee was disabled as a result
6 of an act in the line of duty as defined in subsection (48) of Section 2
7 of this Act;

8 2. Seventy-Five percent (75%) of the monthly premium for single
9 coverage shall be paid for a retired member who had less than two
10 hundred forty (240) months of service but at least one hundred eighty
11 (180) months of service upon retirement, provided such retired
12 member agrees to pay the remaining twenty-five percent (25%) by
13 payroll deduction from his retirement allowance or by another
14 method;

15 3. Fifty percent (50%) of the monthly premium for single coverage shall
16 be paid for a retired member who had less than one hundred eighty
17 (180) months of service but had at least one hundred twenty (120)
18 months of service upon retirement, provided such retired member
19 agrees to pay the remaining fifty percent (50%) by payroll deduction
20 from his retirement allowance or by another method; or

21 4. Twenty-five percent (25%) of the monthly premium for single
22 coverage shall be paid for a retired member who had less than one
23 hundred twenty (120) months of service but had at least forty-eight
24 (48) months of service upon retirement, provided such retired member
25 agrees to pay the remaining seventy-five percent (75%) by payroll
26 deduction from his retirement allowance or by another method.

27 Notwithstanding the foregoing provisions of this paragraph, an employee

1 participating in the system prior to July 1, 2003, who is killed as a result of
2 an act in the line of duty as defined in subsection (48) of Section 2 of this
3 Act, shall have the monthly premium paid for the beneficiary, if the
4 beneficiary is the member's spouse, and for each dependent child, so long
5 as they individually remain eligible for a monthly retirement benefit.

6 (c) 1. For a member who began participating in the system prior to July 1,
7 2003, who was determined to be in a hazardous position in the County
8 Employees Retirement System, the funds specified under paragraph
9 (a)2. of this subsection shall also pay a percentage of the monthly
10 contribution rate sufficient to fund the premium costs for hospital and
11 medical insurance coverage for the spouse and for each dependent
12 child of a recipient.

13 2. The percentage of the monthly contribution rate paid for the spouse
14 and each dependent child of a recipient who was in a hazardous
15 position in accordance with subparagraph 1. of this paragraph shall
16 be based solely on the member's service in a hazardous position using
17 the formula in paragraph (b) of this subsection, except that for any
18 recipient of a retirement allowance from the County Employees
19 Retirement System who was contributing to the system on January 1,
20 1998, for service in a hazardous position, the percentage of the
21 monthly contribution shall be based on the total of hazardous service
22 and any nonhazardous service as a police or firefighter with the same
23 agency, if that agency was participating in the County Employees
24 Retirement System but did not offer hazardous duty coverage for its
25 police and firefighters at the time of initial participation.

26 (d) For members who begin participating in the system on or after July 1,
27 2003:

- 1 1. Participation in the insurance benefits provided under this section
2 shall not be allowed until the member has earned at least one hundred
3 twenty (120) months of service in the state-administered retirement
4 systems, except that for members who begin participating in the
5 system on or after September 1, 2008, participation in the insurance
6 benefits provided under this section shall not be allowed until the
7 member has earned at least one hundred eighty (180) months of
8 service credited under KRS 78.615(1) or another state-administered
9 retirement system.
- 10 2. A member who meets the minimum service requirements as provided
11 by subparagraph 1. of this paragraph shall upon retirement be eligible
12 for the following monthly contribution rate to be paid on their behalf
13 from the funds specified under paragraph (a)2. of this subsection:
- 14 a. For members with service in a nonhazardous position, a monthly
15 insurance contribution of ten dollars (\$10) for each year of
16 service as a participating employee in a nonhazardous position;
17 and
- 18 b. For members with service in a hazardous position, a monthly
19 insurance contribution of fifteen dollars (\$15) for each year of
20 service as a participating employee in a hazardous position.
21 Upon the death of the retired member, the beneficiary, if the
22 beneficiary is the member's spouse, shall be entitled to a monthly
23 insurance contribution of ten dollars (\$10) for each year of
24 service the member attained as a participating employee in a
25 hazardous position.
- 26 3. The minimum service requirement to participate in benefits as
27 provided by subparagraph 1. of this paragraph shall be waived for a

- 1 member who is disabled as a result of an act in the line of duty as
2 defined in subsection (48) of Section 2 of this Act and the member
3 shall be entitled to the benefits payable under this subsection as
4 though the member had twenty (20) years of service in the position for
5 which the disabling condition occurred.
- 6 4. The minimum service requirement to participate in benefits as
7 provided by subparagraph 1. of this paragraph shall be waived for a
8 member who is killed as a result of an act in the line of duty as defined
9 in subsection (48) of Section 2 of this Act and the member shall be
10 entitled to the benefits payable under this subsection as though the
11 member had twenty (20) years of service in a hazardous position.
- 12 5. The monthly insurance contribution amount shall be increased July 1
13 of each year by one and one-half percent (1.5%). The increase shall be
14 cumulative and shall continue to accrue after the member's retirement
15 for as long as a monthly insurance contribution is payable to the
16 retired member or beneficiary.
- 17 6. The benefits of this paragraph provided to a member whose
18 participation begins on or after July 1, 2003, shall not be considered
19 as benefits protected by the inviolable contract provisions of KRS
20 78.852. The General Assembly reserves the right to suspend or reduce
21 the benefits conferred in this paragraph if in its judgment the welfare
22 of the Commonwealth so demands.
- 23 7. An employee whose membership date is on or after September 1, 2008,
24 who retires and is reemployed in a regular full-time position required
25 to participate in the system shall not be eligible for health insurance
26 coverage or benefits provided by this section and shall take coverage
27 with his or her employing agency during the period of reemployment

1 in a regular full-time position.

2 (e) For members with service in another state-administered retirement system
3 who select hospital and medical insurance plan coverage through the
4 system:

5 1. The system shall compute the member's combined service, including
6 service credit in another state-administered retirement system, and
7 calculate the portion of the member's premium monthly contribution
8 rate to be paid by the funds specified under paragraph (a)2. of this
9 subsection according to the criteria established in paragraphs (a) to
10 (d) of this subsection. Each state-administered retirement system
11 annually shall pay annually to the County Employees Retirement
12 System insurance trust fund the portion of the system's cost of the
13 retiree's monthly contribution for single coverage for hospital and
14 medical insurance plan based upon the reciprocal agreement
15 established between the system and the other state-administered
16 retirement systems. The amounts paid by the other state-administered
17 retirement plans and by the County Employees Retirement System
18 from funds specified under paragraph (a)2. of this subsection shall
19 not be more than one hundred percent (100%) of the monthly
20 contribution adopted by the respective boards of trustees;

21 2. A member may not elect coverage for hospital and medical benefits
22 through more than one (1) of the state-administered retirement
23 systems; and

24 3. A state-administered retirement system shall not pay any portion of a
25 member's monthly contribution for medical insurance unless the
26 member is a recipient or annuitant of the plan.

27 (5) Premiums paid for hospital and medical insurance coverage procured under

1 authority of this section shall be exempt from any premium tax which might
 2 otherwise be required under KRS Chapter 136. The payment of premiums by the
 3 funds described by subsection (4)(a)2. of this section shall not constitute taxable
 4 income to an insured recipient. No commission shall be paid for hospital and
 5 medical insurance procured under authority of this section.

6 (6) The board shall promulgate an administrative regulation to establish a medical
 7 insurance reimbursement plan to provide reimbursement for hospital and
 8 medical insurance plan premiums of recipients of a retirement allowance who
 9 are not eligible for the same level of hospital and medical benefits as recipients
 10 living in Kentucky and having the same Medicare hospital and medical insurance
 11 eligibility status. An eligible recipient shall file proof of payment for hospital and
 12 medical insurance plan coverage with the retirement office. Reimbursement to
 13 eligible recipients shall be made on a quarterly basis. The recipient shall be
 14 eligible for reimbursement of substantiated medical insurance premiums for an
 15 amount not to exceed the total monthly contribution rate determined under
 16 subsection (4) of this section. The plan shall not be made available if all
 17 recipients are eligible for the same coverage as recipients living in Kentucky.

18 ➔SECTION 41. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 19 TO READ AS FOLLOWS:

20 (1) (a) Upon the death of a retired member of the system, who was receiving a
 21 monthly retirement allowance based on a minimum of forty-eight (48)
 22 months of service, a death benefit of five thousand dollars (\$5,000) shall be
 23 paid.

24 (b) If the retired member had more than one (1) account in the County
 25 Employees Retirement System or is eligible for a benefit from the Kentucky
 26 Retirement Systems under the provisions of KRS 61.705, the combined
 27 payment from the County Employees Retirement System under this section

1 and the Kentucky Retirement Systems under KRS 61.705 shall not exceed
2 five thousand dollars (\$5,000). Each system's cost shall be prorated between
3 the systems based upon the level of service credit in each system.

4 (c) Application for the death benefit made to the system shall include
5 acceptable evidence of death and of the eligibility of the applicant to act on
6 the deceased retired member's behalf.

7 (2) (a) The death benefit shall be paid to a beneficiary named by the retired
8 member. Upon retirement or any time thereafter, the retired member may
9 designate on the form prescribed by the board, death benefit designation, a
10 person, the retired member's estate, a trust or trustee, or a licensed funeral
11 home, as the beneficiary of the death benefit. The beneficiary for the death
12 benefit may or may not be the same beneficiary designated in accordance
13 with subsection (1) of Section 32 of this Act.

14 (b) If the beneficiary designated under this section is a person and that person
15 dies prior to the member, or if the beneficiary was the retired member's
16 spouse and they were divorced on the date of the retired member's death,
17 then the retired member's estate shall become the beneficiary, unless the
18 retired member has filed a subsequent death benefit designation.

19 (c) If a licensed funeral home is designated as beneficiary and the licensed
20 funeral home cannot be reasonably identified or located by the system at the
21 time of the retired member's death, then the retired member's estate shall
22 become the beneficiary of the death benefit.

23 (3) If, at the time of the retired member's death, a debt to the County Employees
24 Retirement System remains on his or her account, the balance owed shall be
25 deducted from the five thousand dollars (\$5,000) death benefit.

26 (4) Upon the death of a retired member, the death benefit provided pursuant to this
27 section may be assigned by the designated beneficiary to a bank or licensed

1 funeral home.

2 ➔SECTION 42. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
3 TO READ AS FOLLOWS:

4 (1) (a) A retired member or his employer shall notify the system if he has accepted
5 employment or is serving as a volunteer with an employer that participates
6 in the state-administered retirement systems or with an employer who is
7 contracted to perform services for an employer participating in the state-
8 administered retirement systems. The retired member and the participating
9 employer shall submit the information required or requested by the County
10 Employees Retirement System to confirm the individual's employment or
11 volunteer status.

12 (b) If the retired member is employed following retirement under a contract, the
13 member shall submit a copy of that contract to the County Employees
14 Retirement System, and the system shall determine if the member is an
15 independent contractor for purposes of retirement benefits.

16 (c) A retired member and the participating employer shall submit the
17 information required or requested by the system to confirm the individual's
18 employment or volunteer status.

19 (2) A retired member whose disability retirement was discontinued pursuant to
20 Section 29 of this Act and who is reemployed by an employer participating in the
21 system prior to his or her normal retirement date shall have his or her accounts
22 combined upon termination for determining eligibility for benefits. If the member
23 is eligible for retirement, the member's service and creditable compensation
24 earned as a result of his or her reemployment shall be used in the calculation of
25 benefits, except that the member's final compensation shall not be less than the
26 final compensation last used in determining his or her retirement allowance. The
27 member shall not change beneficiary or payment option designations.

1 (3) Retired members of County Employees Retirement System who returned to work
2 prior to September 1, 2008, and who are contributing to a second retirement
3 account in the County Employees Retirement System shall continue to earn
4 service credit in the system under the conditions and requirements specified by
5 KRS 61.637 as of June 30, 2017.

6 (4) The following shall apply to retired members of the County Employees
7 Retirement System who are reemployed on or after September 1, 2008, by an
8 agency participating in the County Employees Retirement System:

9 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a retired
10 member is receiving a retirement allowance from the County Employees
11 Retirement System, or has filed the forms required to receive a retirement
12 allowance from the County Employees Retirement System, and is employed
13 in a regular full-time position required to participate in the County
14 Employees Retirement System or is employed in a position that is not
15 considered regular full-time with an employer participating in the County
16 Employees Retirement System within three (3) months following the
17 member's initial retirement date, the member's retirement shall be voided,
18 and the member shall repay to the system all benefits received, including
19 any health insurance benefits. If the retired member is returning to work in
20 a regular full-time position required to participate in the County Employees
21 Retirement System:

22 1. The member shall contribute to a member account established for him
23 or her in the County Employees Retirement System, and employer
24 contributions shall be paid on behalf of the member by the
25 participating employer to the system; and

26 2. Upon subsequent retirement, the member shall be eligible for a
27 retirement allowance based upon total service and creditable

1 compensation, including any additional service or creditable
2 compensation earned after his or her initial retirement was voided;

3 **(b) Except as provided by paragraphs (c) and (d) of this subsection, if a retired**
4 **member is receiving a retirement allowance from the County Employees**
5 **Retirement System and is employed in a regular full-time position required**
6 **to participate in the County Employees Retirement System after a three (3)**
7 **month period following the member's initial retirement date, the member**
8 **may continue to receive his or her retirement allowance during the period**
9 **of reemployment subject to the following provisions:**

10 **1. Both the employee and participating employer shall certify in writing**
11 **on a form prescribed by the board that no prearranged agreement**
12 **existed between the employee and employer prior to the employee's**
13 **retirement for the employee to return to work with the participating**
14 **employer. If an elected official is reelected to a new term of office in**
15 **the same position and retires following the election but prior to taking**
16 **the new term of office, he or she shall be deemed by the system as**
17 **having a prearranged agreement under the provisions of this**
18 **subparagraph and shall have his or her retirement voided. If the**
19 **participating employer fails to complete the certification, the member's**
20 **retirement shall be voided and the provisions of paragraph (a) of this**
21 **subsection shall apply to the member and the employer;**

22 **2. Notwithstanding any other provision of KRS Chapter 78 to the**
23 **contrary, the member shall not contribute to the system and shall not**
24 **earn any additional benefits for any work performed during the period**
25 **of reemployment;**

26 **3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer**
27 **shall pay employer contributions as specified by Sections 12 and 40 of**

- 1 this Act on all creditable compensation earned by the employee during
2 the period of reemployment. The additional contributions paid shall be
3 used to reduce the unfunded actuarial liability of the system; and
- 4 4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
5 shall be required to reimburse the system for the cost of the health
6 insurance premium paid by the system to provide coverage for the
7 retiree, not to exceed the cost of the single premium. Effective July 1,
8 2015, local school boards shall not be required to pay the
9 reimbursement required by this subparagraph for retirees employed by
10 the board for eighty (80) days or less during the fiscal year;
- 11 (c) If a member is receiving a retirement allowance from hazardous position
12 coverage with the County Employees Retirement System, or has filed the
13 forms required to receive a retirement allowance from the County
14 Employees Retirement System for service in a hazardous position, and is
15 employed in a regular full-time hazardous position with the County
16 Employees Retirement System within one (1) month following the member's
17 initial retirement date, the member's retirement shall be voided, and the
18 member shall repay to the system all benefits received, including any health
19 insurance benefits. If the member is returning to work in a regular full-time
20 position required to participate in the County Employees Retirement
21 System:
- 22 1. The member shall contribute to a member account established for him
23 or her in the County Employees Retirement System, and employer
24 contributions shall be paid on behalf of the member by the
25 participating employer; and
- 26 2. Upon subsequent retirement, the member shall be eligible for a
27 retirement allowance based upon total service and creditable

1 compensation, including any additional service or creditable
2 compensation earned after his or her initial retirement was voided;

3 (d) If a member is receiving a retirement allowance from the hazardous
4 position coverage with the County Employees Retirement System and is
5 employed in a regular full-time hazardous position required to participate
6 in the County Employees Retirement System after a one (1) month period
7 following the member's initial retirement date, the member may continue to
8 receive his or her retirement allowance during the period of reemployment
9 subject to the following provisions:

10 1. Both the employee and participating employer shall certify in writing
11 on a form prescribed by the board that no prearranged agreement
12 existed between the employee and employer prior to the employee's
13 retirement for the employee to return to work with the participating
14 employer. If an elected official is reelected to a new term of office in
15 the same position and retires following the election but prior to taking
16 the new term of office, he or she shall be deemed by the system as
17 having a prearranged agreement under the provisions of this
18 subparagraph and shall have his or her retirement voided. If the
19 participating employer fails to complete the certification, the member's
20 retirement shall be voided and the provisions of paragraph (c) of this
21 subsection shall apply to the member and the employer;

22 2. Notwithstanding any other provision of KRS Chapter 78 to the
23 contrary, the member shall not contribute to the system and shall not
24 earn any additional benefits for any work performed during the period
25 of reemployment;

26 3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
27 shall pay employer contributions as specified by Sections 12 and 40 of

1 this Act on all creditable compensation earned by the employee during
2 the period of reemployment. The additional contributions paid shall be
3 used to reduce the unfunded actuarial liability of the system; and

4 4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
5 shall be required to reimburse the system for the cost of the health
6 insurance premium paid by the system to provide coverage for the
7 retiree, not to exceed the cost of the single premium;

8 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
9 who qualifies as a volunteer for an employer participating in the County
10 Employees Retirement System and who is receiving reimbursement of
11 actual expenses, a nominal fee for his or her volunteer services, or both,
12 shall not be considered an employee of the participating employer and shall
13 not be subject to paragraphs (a) to (d) of this subsection if:

14 1. Prior to the retired member's most recent retirement date, he or she
15 did not receive creditable compensation from the participating
16 employer in which the retired member is performing volunteer
17 services;

18 2. Any reimbursement or nominal fee received prior to the retired
19 member's most recent retirement date has not been credited as
20 creditable compensation to the member's account or utilized in the
21 calculation of the retired member's benefits;

22 3. The retired member has not purchased or received service credit under
23 any of the provisions of KRS 78.510 to 78.852 for service with the
24 participating employer for which the retired member is performing
25 volunteer services; and

26 4. Other than the status of volunteer, the retired member does not
27 become an employee, leased employee, or independent contractor of

1 the employer for which he or she is performing volunteer services for
2 a period of at least twenty-four (24) months following the retired
3 member's most recent retirement date.

4 If a retired member, who provided volunteer services with a participating
5 employer under this paragraph violates any provision of this paragraph,
6 then he or she shall be deemed an employee of the participating employer as
7 of the date he or she began providing volunteer services and both the retired
8 member and the participating employer shall be subject to paragraphs (a) to
9 (d) of this subsection for the period of volunteer service;

10 (f) Notwithstanding any provision of this section, any mayor or member of a
11 city legislative body who has not participated in the County Employees
12 Retirement System prior to retirement, but who is otherwise eligible to retire
13 from the Kentucky Employees Retirement System or the State Police
14 Retirement System, shall not be:

15 1. Required to resign from his or her position as mayor or as a member
16 of the city legislative body in order to begin drawing benefits from the
17 Kentucky Employees Retirement System or the State Police Retirement
18 System; or

19 2. Subject to any provision of this section as it relates solely to his or her
20 service as a mayor or member of the city legislative body; and

21 (g) Retired members of one (1) of the systems administered by Kentucky
22 Retirement Systems who are reemployed by an employer in the County
23 Employees Retirement System on or after September 1, 2008, shall not be
24 eligible to earn a second retirement account in the County Employees
25 Retirement System for his or her service to the employer.

26 ➔Section 43. KRS 78.652 is amended to read as follows:

27 There is created and established:

- 1 (1) An excess benefit plan to be known as the County Employees Retirement System
2 Excess Benefit Plan. The plan is created for the purpose of providing the retirement
3 allowances payable from the retirement systems under KRS 78.520 to 78.852 that
4 would otherwise be limited by 26 U.S.C. sec. 415.
- 5 (2) A state fund to be known as the County Employees Retirement System Excess
6 Benefit Fund which shall consist of all the assets of the plan.
- 7 (3) The administration and assets of the plan shall be as follows:~~[set forth in KRS~~
8 ~~61.652.]~~
- 9 (a) The County Employees Excess Benefit Plan shall be administered by the
10 board of trustees of the County Employees Retirement System. The board
11 shall have the same authority in its administration as it has in the
12 administration of the County Employees Retirement System.
- 13 (b) The plans shall constitute qualified governmental excess benefit plans as
14 provided in 26 U.S.C. sec. 415(m).
- 15 (c) All retired members and beneficiaries of the County Employees Retirement
16 System whose effective retirement dates are July 1, 1998, or after, and
17 whose retirement allowances have been limited by 26 U.S.C. sec. 415 shall
18 be participants in the plans. Each member's participation in the plans shall
19 be determined each fiscal year and will cease for any year in which the
20 retirement allowance is not limited by 26 U.S.C. sec. 415.
- 21 (d) A participant shall receive a benefit equal to the difference between the
22 retirement allowance otherwise payable from the system prior to any
23 reduction or limitation required by 26 U.S.C. sec. 415 and the actual
24 retirement allowance payable as limited by 26 U.S.C. sec. 415. The benefit
25 shall be subject to withholding for applicable state and federal taxes. The
26 benefit shall be paid in accordance with the retirement payment option
27 selected by the member or beneficiary for the retirement allowance.

1 (e) 1. The board, in accordance with the recommendation of the actuary,
 2 shall determine the required contribution the plan must pay for
 3 benefits each fiscal year. The required contribution for the plan in
 4 each fiscal year shall be the total amount of benefits payable under
 5 this section to all participants plus the amount required to pay the
 6 administrative expenses of the plan and the employer's share of any
 7 employment taxes on the benefits paid from the plan.

8 2. The required contribution shall be paid by the participating employers.

9 3. The required contribution for each plan shall be deposited into the
 10 separate fund. The plan is intended to be exempt from federal income
 11 tax under 26 U.S.C. sec. 115 and 26 U.S.C. sec. 415(m)(1).

12 4. The benefit liability of each plan shall be determined on a fiscal year
 13 basis, and contributions shall not be accumulated to pay benefits in
 14 future fiscal years. Any assets of the plans not used to pay benefits in
 15 the current fiscal year shall be used for payment of the administrative
 16 expenses of the plan for the current or future fiscal years or shall be
 17 paid to the system as an additional employer contribution.

18 (e) The benefits payable from the plans shall be treated in accordance with
 19 Section 45 of this Act.

20 (f) The board shall promulgate administrative regulations to modify the
 21 benefits payable under the plans as necessary for the plans to be qualified
 22 under 26 U.S.C. sec. 415(m).

23 ➔SECTION 44. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 24 TO READ AS FOLLOWS:

25 The provisions of KRS 61.680 are hereby recognized and shall be followed in
 26 computing benefits of any member of the County Employees Retirement System who
 27 also has an account with the Kentucky Employees Retirement System, the State Police

1 Retirement System, or the Kentucky Teachers' Retirement System.

2 ➔SECTION 45. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
3 TO READ AS FOLLOWS:

4 (1) Except as otherwise provided by this section and Section 41 of this Act, all
5 retirement allowances and other benefits accrued or accruing to any person
6 under the provisions of KRS 78.510 to 78.852, and the accumulated account
7 balance and cash securities in the funds created under KRS 78.510 to 78.852, are
8 hereby exempt from any state, county, or municipal tax, and shall not be subject
9 to execution, attachment, garnishment, or any other process, and shall not be
10 assigned.

11 (2) Notwithstanding the provisions of subsection (1) of this section, retirement
12 benefits accrued or accruing to any person under the provisions of KRS 78.510 to
13 78.852 on or after January 1, 1998, shall be subject to the tax imposed by KRS
14 141.020, to the extent provided in KRS 141.010 and 141.0215.

15 (3) Qualified domestic relations orders issued by a court or administrative agency
16 shall be honored by the retirement system if:

17 (a) The benefits payable pursuant to the order meet the requirements of a
18 qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The
19 retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)
20 in administering qualified domestic relations orders;

21 (b) The order meets the requirements established by the system and by
22 subsections (3) to (11) of this section. The board of trustees of the system
23 shall establish the requirements, procedures, and forms necessary for the
24 administration of qualified domestic relations orders by promulgation of
25 administrative regulations in accordance with KRS Chapter 13A; and

26 (c) The order is on the form established by the system pursuant to the system's
27 authority provided under paragraph (b) of this subsection.

- 1 (4) A qualified domestic relations order shall not:
- 2 (a) Require the system to take any action not authorized under state or federal
- 3 law;
- 4 (b) Require the system to provide any benefit, allowance, or other payment not
- 5 authorized under state or federal law;
- 6 (c) Grant or be construed to grant the alternate payee any separate right, title,
- 7 or interest in or to any retirement benefit other than to receive payments
- 8 from the participant's account in accordance with the administrative
- 9 regulations promulgated by the system and as provided by subsections (3) to
- 10 (11) of this section; or
- 11 (d) Grant any separate interest to any person other than the participant.
- 12 (5) Any qualified domestic relations order submitted to the system shall specify the
- 13 dollar amount or percentage amount of the participant's benefit to be paid to the
- 14 alternate payee. In calculating the amount to be paid to the alternate payee, the
- 15 court or administrative agency that is responsible for issuing the order shall
- 16 follow the requirements set forth in the administrative regulations promulgated
- 17 by the board of trustees. Notwithstanding any other statute to the contrary, the
- 18 board shall not be required to honor a qualified domestic relations order that
- 19 does not follow the requirements set forth in the administrative regulations
- 20 promulgated by the board of trustees.
- 21 (6) If the qualified domestic relations order meets the requirements established by
- 22 the system and by subsections (3) to (11) of this section, payments to the alternate
- 23 payee shall begin under the following conditions:
- 24 (a) If the participant is retired and is receiving a monthly retirement allowance,
- 25 the month following the date the system receives a qualified domestic
- 26 relations order that complies with the administrative regulations
- 27 promulgated by the system and subsections (3) to (11) of this section; or

- 1 (b) If the participant is not retired, the month of the participant's effective
2 retirement date in which the first retirement allowance is payable to the
3 participant or the month in which the participant receives a refund of his or
4 her accumulated account balance as provided by Section 35 of this Act.
- 5 (7) An alternate payee's benefits and rights under a qualified domestic relations
6 order shall terminate upon the earlier of:
- 7 (a) The death of the participant;
8 (b) The death of the alternate payee; or
9 (c) The termination of the participant's benefits under any of the provisions of
10 KRS 78.510 to 78.852.
- 11 (8) An alternate payee shall not receive a monthly payment under a qualified
12 domestic relations order if the participant is not receiving a monthly retirement
13 allowance.
- 14 (9) The cost of living adjustment provided to the participant pursuant to Section 25
15 of this Act shall be divided between the participant and alternate payee in a
16 qualified domestic relations order as follows:
- 17 (a) If the order specifies the alternate payee is to receive a percentage of the
18 participant's benefit, then the cost of living adjustment shall be divided
19 between the participant and the alternate payee based upon the percentage
20 of the total benefit each is receiving upon the participant's retirement or
21 upon the date the order is approved by the system, whichever is later; or
- 22 (b) If the order specifies that the alternate payee is to receive a set dollar
23 amount of the participant's benefit, then the order shall specify that:
- 24 1. The cost of living adjustment shall be divided between the participant
25 and the alternate payee based upon the percentage of the total benefit
26 each is receiving upon the participant's retirement or upon the date
27 the order is approved by the retirement system, whichever is later; or

1 2. The alternate payee shall receive no cost of living adjustment.
2 If the order does not specify the division of the cost of living adjustment as
3 required by this paragraph, then no cost of living adjustment shall be
4 payable to the alternate payee. If no cost of living adjustment is provided to
5 the alternate payee, then the participant shall receive the full cost of living
6 adjustment he or she would have received if the order had not been applied
7 to the participant's account.

8 (10) Except in cases involving child support payments, the system may charge
9 reasonable and necessary fees and expenses to the recipient and the alternate
10 payee of a qualified domestic relations order for the administration of the
11 qualified domestic relations order by the system. All fees and expenses shall be
12 established by administrative regulations promulgated by the board of trustees of
13 the system. The qualified domestic relations order shall specify whether the fees
14 and expenses provided by this subsection shall be paid:

15 (a) Solely by the participant;

16 (b) Solely by the alternate payee; or

17 (c) Equally shared by the participant and alternate payee.

18 (11) The system shall honor a qualified domestic relations order issued prior to July
19 15, 2010, if:

20 (a) The order was on file and approved by the system prior to July 15, 2010. All
21 benefits, including cost of living adjustments payable to the alternate payee,
22 for orders that meet the requirements of this paragraph shall not be
23 eliminated or reduced as a result of the provisions of subsections (3) to (10)
24 of this section and 78.510(26); or

25 (b) The order or an amended version of the order meets the requirements
26 established by this section and the administrative regulations promulgated
27 by the system. The order shall not apply to benefit payments issued by the

1 system prior to the date the order was approved by the system.

2 ➔SECTION 46. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
3 TO READ AS FOLLOWS:

4 (1) The County Employees Retirement System shall be administered by the board of
5 trustees composed of nine (9) members, who shall be selected as follows:

6 (a) Three (3) trustees, who shall be members or retired from the County
7 Employees Retirement System, elected by the members and retired members
8 of the County Employees Retirement System, of which one (1) shall have
9 participating in or retired from a hazardous position;

10 (b) Six (6) trustees, of which:

11 1. Two (2) trustees shall be appointed by the Kentucky League of Cities,
12 one (1) of which shall have investment experience and one (1) of
13 which shall have retirement experience;

14 2. Two (2) trustees shall be appointed by the Kentucky Association of
15 Counties, one (1) of which shall have investment experience and one
16 (1) of which shall have retirement experience; and

17 3. Two (2) trustees shall be appointed by the Kentucky School Boards
18 Association, one (1) of which shall have investment experience and
19 one (1) of which shall have retirement experience.

20 (c) For purposes of paragraph (b) of this subsection, a trustee with "investment
21 experience" means an individual who does not have a conflict of interest, as
22 provided by Section 48 of this Act, and who has at least ten (10) years of
23 experience in one (1) of the following areas of expertise:

24 1. A portfolio manager acting in a fiduciary capacity;

25 2. A professional securities analyst or investment consultant;

26 3. A current or retired employee or principal of a trust institution,
27 investment or finance organization, or endowment fund acting in an

1 investment-related capacity;

2 4. A chartered financial analyst in good standing as determined by the
3 CFA Institute; or

4 5. A university professor, teaching investment-related studies.

5 The Kentucky League of Cities, Kentucky Association of Counties, and the
6 Kentucky School Boards Association shall request recommendations from
7 the CFA Society of Louisville in order to assist with the selection of board
8 members who must have investment experience.

9 (d) For purposes of paragraph (b) of this subsection, a trustee with "retirement
10 experience" means an individual who does not have a conflict of interest, as
11 provided by Section 48 of this Act, and who has at least ten (10) years of
12 experience in one (1) of the following areas of expertise:

13 1. Experience in retirement or pension plan management;

14 2. A certified public accountant with relevant experience in retirement or
15 pension plan accounting;

16 3. An actuary with relevant experience in retirement or pension plan
17 consulting;

18 4. An attorney licensed to practice law in the Commonwealth of
19 Kentucky with relevant experience in retirement or pension plans; or

20 5. A current or former university professor whose primary area of
21 emphasis is economics or finance.

22 (2) The board is hereby granted the powers and privileges of a corporation, including
23 but not limited to the following powers:

24 (a) To sue and be sued in its corporate name;

25 (b) To make bylaws not inconsistent with the law;

26 (c) To conduct the business and promote the purposes for which it was formed;

27 (d) Except as provided in subsection (6) of Section 47 of this Act, to contract for

1 investment counseling, actuarial, auditing, medical, and other professional
2 or technical services as required to carry out the obligations of the board
3 subject to the provisions of KRS Chapters 45, 45A, 56, and 57;

4 (e) To purchase fiduciary liability insurance;

5 (f) Except as provided in subsection (6) of Section 47 of this Act, to acquire,
6 hold, sell, dispose of, pledge, lease, or mortgage, the goods or property
7 necessary to exercise the board's powers and perform the board's duties
8 without limitation subject to KRS Chapters 45, 45A, and 56; and

9 (g) The board shall reimburse any trustee, officer, or employee for any legal
10 expense resulting from a civil action arising out of the performance of his
11 official duties. The hourly rate of reimbursement for any contract for legal
12 services under this paragraph shall not exceed the maximum hourly rate
13 provided in the Legal Services Duties and Maximum Rate Schedule
14 promulgated by the Government Contract Review Committee established
15 pursuant to KRS 45A.705, unless a higher rate is specifically approved by
16 the secretary of the Finance and Administration Cabinet or his or her
17 designee.

18 (3) Notwithstanding the provisions of subsection (1) of this section, each trustee shall
19 serve a term of four (4) years or until his successor is duly qualified except as
20 otherwise provided in this section. An elected or appointed trustee, shall not serve
21 more than three (3) consecutive four (4) year terms. An elected or appointed
22 trustee who has served three (3) consecutive terms may be elected or appointed
23 again after an absence of four (4) years from the board.

24 (4) (a) The trustees selected by the membership of the system shall be elected by
25 ballot. For each trustee to be elected, the board may nominate, not less than
26 six (6) months before a term of office of a trustee is due to expire, three (3)
27 constitutionally eligible individuals.

- 1 (b) Individuals may be nominated by the system members by presenting to the
2 executive director, not less than four (4) months before a term of office of a
3 trustee is due to expire, a petition, bearing the name, last four digits of the
4 Social Security number, and signature of no less than one-tenth (1/10) of
5 the number voting in the last election by the system members.
- 6 (c) Within four (4) months of the nominations made in accordance with
7 paragraphs (a) and (b) of this subsection, the executive director shall cause
8 to be prepared an official ballot. The ballot shall carry the name, address,
9 and position title of each individual nominated by the board and by petition.
10 Provisions shall also be made for write-in votes.
- 11 (d) The ballots shall be distributed to the eligible voters by mail to their last
12 known residence address.
- 13 (e) The ballots shall be addressed to the County Employees Retirement System
14 in care of a predetermined box number at a United States Post Office
15 located within Kentucky. Access to this post office box shall be limited to the
16 board's contracted auditing firm. The individual receiving a plurality of
17 votes shall be declared elected.
- 18 (f) The eligible voter shall cast his ballot by checking a square opposite the
19 name of the candidate of his choice. He shall sign and mail the ballot at
20 least thirty (30) days prior to the date the term to be filled is due to expire.
21 The latest mailing date shall be printed on the ballot.
- 22 (g) The board's contracted auditing firm shall report in writing the outcome to
23 the chair of the board of trustees. Cost of an election shall be payable from
24 the funds of the system for which the trustee is elected.
- 25 (h) For purposes of this subsection, an eligible voter shall be a person who was
26 a member of the system on December 31 of the year preceding the election
27 year.

1 (i) Each individual who submits a request to be nominated by the board under
2 paragraph (a) of this subsection and each individual who is nominated by
3 the membership under paragraph (b) of this subsection shall:

4 1. Complete an application developed by the system which shall include
5 but not be limited to a disclosure of any prior felonies and any
6 conflicts of interest that would hinder the individual's ability to serve
7 on the board;

8 2. Submit a resume detailing the individual's education and employment
9 history and a cover letter detailing the member's qualifications for
10 serving as trustee to the board; and

11 3. Authorize the system to have a criminal background check performed.
12 The criminal background check shall be performed by the Department
13 of Kentucky State Police.

14 (5) Any vacancy which may occur in an appointed position shall be filled in the same
15 manner which provides for the selection of the particular trustee, and any
16 vacancy which may occur in an elected position shall be filled by appointment by
17 a majority vote of the remaining elected trustees; however, any vacancy shall be
18 filled only for the duration of the unexpired term. In the event of a vacancy of an
19 elected trustee, the system shall notify members of the vacancy and the
20 opportunity to be considered for the vacant position. Any vacancy shall be filled
21 within ninety (90) days of the position becoming vacant.

22 (6) (a) Membership on the board of trustees shall not be incompatible with any
23 other office unless a constitutional incompatibility exists. No trustee shall
24 serve in more than one (1) position as trustee on the board; and if a trustee
25 holds more than one (1) position as trustee on the board, he shall resign a
26 position.

27 (b) A trustee shall be removed from office upon conviction of a felony or for a

1 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a
2 court of competent jurisdiction.

3 (c) A current or former employee of Kentucky Retirement Systems or the
4 County Employees Retirement System shall not be eligible to serve as a
5 member of the board.

6 (7) Trustees who do not otherwise receive a salary from the State Treasury shall
7 receive a per diem of eighty dollars (\$80) for each day they are in session or on
8 official duty, and they shall be reimbursed for their actual and necessary
9 expenses in accordance with state administrative regulations and standards.

10 (8) (a) The board shall meet at least once in each quarter of the year and may meet
11 in special session upon the call of the chair or the executive director.

12 (b) The board shall elect a chair and a vice chair. The chair shall not serve
13 more than four (4) consecutive years as chair or vice-chair of the board.
14 The vice-chair shall not serve more than four (4) consecutive years as chair
15 or vice-chair of the board. A trustee who has served four (4) consecutive
16 years as chair or vice-chair of the board may be elected chair or vice-chair
17 of the board after an absence of two (2) years from the positions.

18 (c) A majority of the trustees shall constitute a quorum and all actions taken by
19 the board shall be by affirmative vote of a majority of the trustees present.

20 (9) (a) The board of trustees shall appoint or contract for the services of an
21 executive director and fix the compensation and other terms of employment
22 for this position without limitation of the provisions of KRS Chapters 18A
23 and 45A and KRS 64.640. The executive director shall be the chief
24 administrative officer of the board.

25 (b) The board of trustees shall authorize the executive director to appoint the
26 employees deemed necessary to transact the business of the system.
27 Anything in the Kentucky Revised Statutes to the contrary notwithstanding,

1 the power over and control of determining and maintaining an adequate
2 complement of employees shall be under the exclusive jurisdiction of the
3 board of trustees.

4 (c) The board shall adopt a fair, equitable, and comprehensive personnel policy
5 with a minimum of the following provisions for the personnel system:

6 1. A code of conduct including provisions describing performance of
7 duties, abuse of position, conflicts of interest, and outside
8 employment;

9 2. An appointments plan including provisions describing the appointing
10 authority, appointments, equal employment policy, sexual harassment
11 policy, and drug-free workplace policy;

12 3. A classification plan including provisions describing class
13 specifications, position actions, and employee actions;

14 4. A compensation plan based on qualifications, experience, and
15 responsibilities and including provisions which describe a salary
16 schedule, salary adjustments, salary advancements, and an employee
17 suggestion program;

18 5. Separations, disciplinary actions, and appeal policies including
19 provisions describing classified with status, exemptions from classified
20 with status, lay-offs, abolishment of position, dismissals and
21 notification of dismissal, dismissals during probationary period,
22 disciplinary actions, right of appeal, grievance and appeal procedures,
23 and an employee grievance and appeal committee;

24 6. Service and benefits regulations including provisions describing hours
25 of work, fringe benefits, workers' compensation, payroll deductions,
26 holidays, inclement weather days, compensatory time, retirement,
27 resignations, employee evaluations, and political activities; and

1 7. Leave policies including provisions describing special leave, annual
2 leave, court leave and jury duty, military leave, voting leave,
3 educational leave, sick leave, family medical leave, leave without pay,
4 absence without leave, and blood donation leave.

5 (d) The board shall require the executive director and the employees as it thinks
6 proper to execute bonds for the faithful performance of their duties
7 notwithstanding the limitations of KRS Chapter 62.

8 (e) The board shall establish a system of accounting.

9 (f) The board shall do all things, take all actions, and promulgate all
10 administrative regulations, not inconsistent with the provisions of KRS
11 78.510 to 78.852, necessary or proper in order to carry out the provisions of
12 KRS 78.510 to 78.852. Notwithstanding any other evidence of legislative
13 intent, it is hereby declared to be the controlling legislative intent that the
14 provisions of KRS 78.510 to 78.852 conform with federal statute or
15 regulation and meet the qualification requirements under 26 U.S.C. sec.
16 401(a), applicable federal regulations, and other published guidance.
17 Provisions of KRS 78.510 to 78.852 which conflict with federal statute or
18 regulation or qualification under 26 U.S.C. sec. 401(a), applicable federal
19 regulations, and other published guidance shall not be available. The board
20 shall have the authority to promulgate administrative regulations to
21 conform with federal statute and regulation and to meet the qualification
22 requirements under 26 U.S.C. sec. 401(a), including an administrative
23 regulation to comply with 26 U.S.C. sec. 401(a)(9).

24 (g) Notwithstanding any other provision of statute to the contrary, including
25 but not limited to any provision of KRS Chapter 12, the Governor shall have
26 no authority to change any provision of KRS 78.510 to 78.852 by executive
27 order or action.

1 (10) All employees of the board shall serve during its will and pleasure.

2 Notwithstanding any statute to the contrary, employees shall not be considered
3 legislative agents under KRS 6.611.

4 (11) The Attorney General, or an assistant designated by him, may attend each
5 meeting of the board and may receive the agenda, board minutes, and other
6 information distributed to trustees of the board upon request. The Attorney
7 General may act as legal adviser and attorney for the board, and the board may
8 contract for legal services, notwithstanding the limitations of KRS Chapter 12 or
9 13B.

10 (12) (a) The system shall publish an annual financial report showing all receipts,
11 disbursements, assets, and liabilities. The annual report shall include a copy
12 of an audit conducted in accordance with generally accepted auditing
13 standards. Except as provided by paragraph (b) of this subsection, the board
14 may select an independent certified public accountant or the Auditor of
15 Public Accounts to perform the audit. If the audit is performed by an
16 independent certified public accountant, the Auditor of Public Accounts
17 shall not be required to perform an audit pursuant to KRS 43.050(2)(a), but
18 may perform an audit at his discretion. All proceedings and records of the
19 board shall be open for inspection by the public. The system shall make
20 copies of the audit required by this subsection available for examination by
21 any member, retiree, or beneficiary in the offices of the County Employees
22 Retirement System and in other places as necessary to make the audit
23 available to all members, retirees, and beneficiaries. A copy of the annual
24 audit shall be sent to the Legislative Research Commission no later than ten
25 (10) days after receipt by the board.

26 (b) At least once every five (5) years, the Auditor of Public Accounts shall
27 perform the audit described by this subsection, and the system shall

1 reimburse the Auditor of Public Accounts for all costs of the audit. The
2 Auditor of Public Accounts shall determine which fiscal year during the
3 five (5) year period the audit prescribed by this paragraph will be completed.

4 (13) All expenses incurred by or on behalf of the system and the board in the
5 administration of the system during a fiscal year shall be paid from the
6 retirement allowance account.

7 (14) Any person adversely affected by a decision of the board, except as provided
8 under subsection (16) of this section or Section 30 of this Act, involving KRS
9 78.510 to 78.852, may appeal the decision of the board to the Franklin Circuit
10 Court within sixty (60) days of the board action.

11 (15) (a) A trustee shall discharge his duties as a trustee, including his duties as a
12 member of a committee:

13 1. In good faith;

14 2. On an informed basis; and

15 3. In a manner he honestly believes to be in the best interest of the
16 County Employees Retirement System.

17 (b) A trustee discharges his duties on an informed basis if, when he makes an
18 inquiry into the business and affairs of the system or into a particular
19 action to be taken or decision to be made, he exercises the care an ordinary
20 prudent person in a like position would exercise under similar
21 circumstances.

22 (c) In discharging his duties, a trustee may rely on information, opinions,
23 reports, or statements, including financial statements and other financial
24 data, if prepared or presented by:

25 1. One (1) or more officers or employees of the system whom the trustee
26 honestly believes to be reliable and competent in the matters
27 presented;

- 1 2. Legal counsel, public accountants, actuaries, or other persons as to
2 matters the trustee honestly believes are within the person's
3 professional or expert competence; or
- 4 3. A committee of the board of trustees of which he is not a member if
5 the trustee honestly believes the committee merits confidence.
- 6 (d) A trustee shall not be considered as acting in good faith if he has knowledge
7 concerning the matter in question that makes reliance otherwise permitted
8 by paragraph (c) of this subsection unwarranted.
- 9 (e) Any action taken as a trustee, or any failure to take any action as a trustee,
10 shall not be the basis for monetary damages or injunctive relief unless:
- 11 1. The trustee has breached or failed to perform the duties of the
12 trustee's office in compliance with this section; and
- 13 2. In the case of an action for monetary damages, the breach or failure
14 to perform constitutes willful misconduct or wanton or reckless
15 disregard for human rights, safety, or property.
- 16 (f) A person bringing an action for monetary damages under this section shall
17 have the burden of proving by clear and convincing evidence the provisions
18 of paragraph (e)1. and 2. of this subsection, and the burden of proving that
19 the breach or failure to perform was the legal cause of damages suffered by
20 the system.
- 21 (g) In discharging his or her administrative duties under this section, a trustee
22 shall strive to administer the system in an efficient and cost-effective
23 manner for the taxpayers of the Commonwealth of Kentucky.
- 24 (16) When an order by the system substantially impairs the benefits or rights of a
25 member, retired member, or recipient, except action which relates to entitlement
26 to disability benefits, the affected member, retired member, or recipient may
27 request a hearing to be held in accordance with KRS Chapter 13B. The board

1 may establish an appeals committee whose members shall be appointed by the
2 chair and who shall have authority to act upon the recommendations and reports
3 of the hearing officer on behalf of the board. The member, retired member,
4 recipient, or employer aggrieved by a final order of the board following the
5 hearing may appeal the decision to the Franklin Circuit Court, in accordance
6 with KRS Chapter 13B.

7 (17) The board shall establish a formal trustee education program for all trustees of
8 the board. The program shall include but not be limited to the following:

9 (a) A required orientation program for all new trustees elected or appointed to
10 the board. The orientation program shall include training on:

11 1. Benefits and benefits administration;

12 2. Investment concepts, policies, and current composition and
13 administration of retirement systems investments;

14 3. Laws, bylaws, and administrative regulations pertaining to the
15 retirement systems and to fiduciaries; and

16 4. Actuarial and financial concepts pertaining to the system.

17 If a trustee fails to complete the orientation program within one (1) year
18 from the beginning of his or her first term on the board, the system shall
19 withhold payment of the per diem and travel expenses due to the board
20 member under this section until the trustee has completed the orientation
21 program;

22 (b) Annual required training for board members on the administration,
23 benefits, financing, and investing of the system. If a trustee fails to complete
24 the annual required training during the calendar or fiscal year, the
25 retirement systems shall withhold payment of the per diem and travel
26 expenses due to the board member under this section until the board
27 member has met the annual training requirements; and

1 (c) The system shall incorporate by reference in an administrative regulation,
2 pursuant to KRS 13A.2251, the trustee education program.

3 (18) In order to improve public transparency regarding the administration of the
4 systems, the board of trustees shall adopt a best practices model by posting the
5 following information to the system's Web site and shall make available to the
6 public:

7 (a) Meeting notices and agendas for all meetings of the board. Notices and
8 agendas shall be posted to the system's Web site at least seventy-two (72)
9 hours in advance of the board or committee meetings, except in the case of
10 special or emergency meetings as provided by KRS 61.823;

11 (b) The Comprehensive Annual Financial Report with the information as
12 follows:

13 1. A general overview and update on the system by the executive director;

14 2. A listing of the board of trustees;

15 3. A listing of key staff;

16 4. An organizational chart;

17 5. Financial information, including a statement of plan net assets, a
18 statement of changes in plan net assets, an actuarial value of assets, a
19 schedule of investments, a statement of funded status and funding
20 progress, and other supporting data;

21 6. Investment information, including a general overview, a list of the
22 system's professional consultants, a total net of fees return on system
23 investments over a historical period, an investment summary,
24 contracted investment management expenses, transaction
25 commissions, and a schedule of investments;

26 7. The annual actuarial valuation report on the pension benefit and the
27 medical insurance benefit; and

1 8. A general statistical section, including information on contributions,
2 benefit payouts, and retirement systems' demographic data;

3 (c) All external audits;

4 (d) All board minutes or other materials that require adoption or ratification by
5 the board of trustees. The items listed in this paragraph shall be posted
6 within seventy-two (72) hours of adoption or ratification of the board;

7 (e) All bylaws, policies, or procedures adopted or ratified by the board of
8 trustees;

9 (f) The system's summary plan description;

10 (g) A document containing an unofficial copy of the statutes governing the
11 system;

12 (h) A listing of the members of the board of trustees and membership on each
13 committee established by the board, including any investment committees;

14 (i) All investment holdings in aggregate, fees, and commissions for each fund
15 administered by the board, which shall be updated on a quarterly basis
16 beginning on or after July 1, 2017. The system shall request from all
17 managers, partnerships, and any other available sources all information
18 regarding fees and commissions and shall, based on the requested
19 information received:

20 1. Disclose the dollar value of fees and commissions paid to each
21 individual manager or partnership;

22 2. Disclose the dollar value of any profit sharing, carried interest, or any
23 other partnership incentive arrangements, partnership agreements, or
24 any other partnership expenses received by or paid to each manager or
25 partnership; and

26 3. As applicable, report each fee or commission by manager or
27 partnership consistent with standards established by the Institutional

1 Limited Partners Association (ILPA).

2 In addition to the requirements of this paragraph, the system shall also
3 disclose the name and address of all individual underlying managers or
4 partners in any fund of funds in which system assets are invested;

5 (j) An update of net of fees investment returns, asset allocations, and the
6 performance of the funds against benchmarks adopted by the board for
7 each fund, for each asset class administered by the board, and for each
8 manager. The update shall be posted on a quarterly basis for fiscal years
9 beginning on or after July 1, 2017;

10 (k) A searchable database of the system's expenditures and a listing of each
11 individual employed by the system along with the employee's salary or
12 wages;

13 (l) All contracts or offering documents for services, goods, or property
14 purchased or utilized by the systems; and

15 (m) Information regarding the system's financial and actuarial condition that is
16 easily understood by the members, retired members, and the public.

17 (19) Notwithstanding the requirements of subsection (18) of this section, the system
18 shall not be required to furnish information that is protected under Section 50 of
19 this act, exempt under KRS 61.878, or that, if disclosed, would compromise the
20 system's ability to competitively invest in real estate or other asset classes, except
21 that no provision of this section or KRS 61.878 shall exclude disclosure and
22 review of all contracts, including investment contracts, by the board, the Auditor
23 of Public Accounts, and the Government Contract Review Committee established
24 pursuant to KRS 45A.705 or the disclosure of investment fees and commissions
25 as provided by this section. If any public record contains material which is not
26 excepted under this section, the system shall separate the excepted material by
27 removal, segregation, or redaction, and make the nonexcepted material available

1 for examination.

2 (20) Notwithstanding any other provision of KRS 78.510 to 78.852 to the contrary, no
 3 funds of the County Employees Retirement System, including fees and
 4 commissions paid to an investment manager, private fund, or company issuing
 5 securities, who manages systems assets, shall be used to pay fees and
 6 commissions to placement agents. For purposes of this subsection, "placement
 7 agent" means a third-party individual, who is not an employee, or firm, wholly or
 8 partially owned by the entity being hired, who solicits investments on behalf of an
 9 investment manager, private fund, or company issuing securities.

10 → Section 47. KRS 78.790 is amended to read as follows:

11 (1) (a) The board shall be the trustee of the several funds created by KRS 78.510 to
 12 78.852, and shall have full power to invest and reinvest such funds in
 13 accordance with federal law~~[subject to the limitations that no investments~~
 14 ~~shall be made except upon the exercise of bona fide discretion, in securities~~
 15 ~~which, at the time of making the investment, are, by law, permitted for the~~
 16 ~~investment of funds by fiduciaries in this state except that the board may, at its~~
 17 ~~discretion, purchase common stocks in corporations that do not have a record~~
 18 ~~of paying dividends to their stockholders. Subject to such limitations, the~~
 19 ~~board shall have full power to hold, purchase, sell, assign, transfer or dispose~~
 20 ~~of any of the securities or investments in which any of the funds created herein~~
 21 ~~have been invested, as well as of the proceeds of such investments and any~~
 22 ~~moneys belonging to such funds].~~

23 (b) The board shall establish an investment committee that shall include
 24 members of the board with investment experience, elected members, or
 25 other members as determined by the board chair, and may also non-voting
 26 members who have investment expertise.

27 (c) A trustee, officer, employee, or other fiduciary shall discharge duties with

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respect to the system:

- 1. Solely in the interest of the members and beneficiaries;
- 2. For the exclusive purpose of providing benefits to members and beneficiaries and paying reasonable expenses of administering the system;
- 3. With the care, skill, and caution under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose;
- 4. Impartially, taking into account any differing interests of members and beneficiaries;
- 5. Incurring any costs that are appropriate and reasonable; and
- 6. In accordance with a good-faith interpretation of the law governing the system.

(d) In addition to the standards of conduct prescribed by paragraph (c) of this subsection, all individuals associated with the investment and management of system assets, whether contracted investment advisors, board members, or staff employees, shall adhere to "The Code of Ethics and Standards of Professional Conduct," the "Asset Manager Code of Professional Conduct" if the individual is managing system assets, and the "Code of Conduct for Members of a Pension Scheme Governing Body" if the individual is a board member. All codes cited in this paragraph are promulgated by the CFA Institute.

(2) All securities acquired under the authority of KRS 78.510 to 78.852 shall be registered in the name County Employees Retirement System[Kentucky Retirement Systems] or nominee name as provided by KRS 286.3-225 and every change in registration, by reason of sale or assignment of such securities, shall be

1 accomplished pursuant to written policies adopted by the board.

2 (3) The board, in keeping with its responsibility as the trustee and wherever feasible,
3 shall give priority to the investment of funds in obligations calculated to improve
4 the industrial development and enhance the economic welfare of the
5 Commonwealth.

6 (4) The contents of real estate appraisals, engineering or feasibility estimates, and
7 evaluations made by or for the system relative to the acquisition or disposition of
8 property, until such time as all of the property has been acquired or sold, shall be
9 excluded from the application of KRS 61.870 to 61.884 and shall be subject to
10 inspection only upon order of a court of competent jurisdiction ~~[investment~~
11 ~~committee established pursuant to KRS 61.650 shall serve as the investment~~
12 ~~committee of the funds established by KRS 78.510 to 78.852].~~

13 (5) Based upon market value at the time of purchase, the board shall limit the amount
14 of assets managed by any one (1) active or passive investment manager to fifteen
15 percent (15%) of the assets in the pension and insurance funds.

16 (6) All contracts for the investment or management of assets of the system shall not
17 be subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct
18 the following process to develop and adopt an investment procurement policy
19 with which all prospective contracts for the investment or management of assets
20 of the system shall comply:

21 (a) On or before July 1, 2017, the board shall consult with the secretary of the
22 Finance and Administration Cabinet or his or her designee to develop an
23 investment procurement policy, which shall be written to meet best practices
24 in investment management procurement;

25 (b) Thirty (30) days prior to adoption, the board shall tender the preliminary
26 investment procurement policy to the secretary of the Finance and
27 Administration Cabinet or his or her designee for review and comment;

1 (c) Upon receipt of comments from the secretary of the Finance and
 2 Administration Cabinet or his or her designee, the board shall choose to
 3 adopt or not adopt any recommended changes;

4 (d) Upon adoption, the board shall tender the final investment procurement
 5 policy to the secretary of the Finance and Administration Cabinet or his or
 6 her designee;

7 (e) No later than thirty (30) days after receipt of the investment procurement
 8 policy, the secretary or his or her designee shall certify whether the board's
 9 investment procurement policy meets or does not meet best practices for
 10 investment management procurement; and

11 (f) Any amendments to the investment procurement policy shall adhere to the
 12 requirements set forth by paragraphs (b) to (e) of this subsection.

13 ➔SECTION 48. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 14 TO READ AS FOLLOWS:

15 No trustee or employee of the County Employees Retirement System board shall:

16 (1) Have any interest, direct or indirect, in the gains or profits of any investment or
 17 transaction made by the board, save insofar as any such trustee or employee may
 18 be a member, employee, or beneficiary of the system;

19 (2) Directly or indirectly, for himself or as an agent, use the assets of the system,
 20 except to make current and necessary payments authorized by the board;

21 (3) Become an indorser or surety or in any manner an obligor for moneys loaned by
 22 or borrowed from the board;

23 (4) Have a contract or agreement with the system, individually or through a business
 24 owned by the trustee or the employee;

25 (5) Use his or her official position with the system to obtain a financial gain or
 26 benefit or advantage for himself or herself or a family member;

27 (6) Use confidential information acquired during his or her tenure with the system to

1 further his or her own economic interests or that of another person; or
 2 (7) Hold outside employment with, or accept compensation from, any person or
 3 business with which he or she has involvement as part of his or her official
 4 position with the system. The provisions of this subsection shall not prohibit a
 5 trustee from serving as an employee of an agency participating in the County
 6 Employees Retirement System.

7 ➔SECTION 49. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 8 TO READ AS FOLLOWS:

9 (1) The State Treasurer shall be the custodian of the funds received under authority
 10 of KRS 78.510 to 78.852 and shall be responsible for the safekeeping of all cash
 11 and securities in his custody. All payments from the fund shall be made by him
 12 on warrants issued by the Finance and Administration Cabinet. Payments may be
 13 in the form of checks, which shall clearly show on the envelope or other mailing
 14 device the name and address of the County Employees Retirement System, or
 15 direct deposit bank transfers.

16 (2) The board shall appoint a custodian or custodians of the cash and securities
 17 acquired under authority of KRS 78.510 to 78.852; and the custodian or
 18 custodians shall be responsible for the safekeeping of all cash and securities in
 19 his custody.

20 ➔SECTION 50. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
 21 TO READ AS FOLLOWS:

22 (1) Each current, former, or retired member's account shall be administered in a
 23 confidential manner and specific data regarding a current, former, or retired
 24 member shall not be released for publication except as authorized by the member
 25 or as provided by subsection (7) of this section; however, the system may release
 26 account information to the employer or to other state and federal agencies as it
 27 deems necessary or in response to a lawful subpoena or order issued by a court of

1 law. The current, former, or retired member's account shall be exempt from the
2 provisions of KRS 171.410 to 171.990.

3 (2) When a subpoena is served upon any employee of the County Employees
4 Retirement System, requiring production of any specific data regarding a current,
5 former, or retired member, it is sufficient if the employee of the system charged
6 with the responsibility of being custodian of the original delivers within five (5)
7 working days, by certified mail or by personal delivery, legible and durable copies
8 of records, certified by the employee, or an affidavit stating the information
9 required by the subpoena to the person specified in the subpoena. The production
10 of documents or an affidavit shall be in lieu of any personal testimony of any
11 employee of the system unless, after the production of documents or affidavit, a
12 separate subpoena is served upon the system specifically directing the testimony
13 of an employee of the system. When a subpoena is served on any employee of the
14 system requiring the employee to give deposition for any purpose, in the absence
15 of a court order requiring the deposition of a specific employee, the system may
16 designate an employee to be deposed upon the matter referred to in the subpoena.

17 (3) The certification shall be signed before a notary public by the employee and shall
18 include the full name of the member, the member's Social Security number and a
19 legend substantially to the following effect: "The records are true and complete
20 reproductions of the original or microfiched records which are housed in the
21 retirement systems office. This certification is given in lieu of his or her personal
22 appearance."

23 (4) When an affidavit or copies of records are personally delivered, a receipt shall be
24 presented to the person receiving the records for his signature and shall be
25 immediately signed and returned to the person delivering the records. When an
26 affidavit or copies of records are sent via certified mail, the receipt used by the
27 postal authorities shall be sufficient to prove delivery and receipt of the affidavit

1 or copies of records.

2 (5) When the affidavit or copies of records are delivered to a party for use in
3 deposition, they shall, after termination of the deposition, be delivered personally
4 or by certified mail to the clerk of the court or other body before which the action
5 or proceeding is pending. It shall be the responsibility of the party or attorney to
6 transmit the receipt obtained to the employee of the system charged with
7 responsibility of being custodian of the original. Upon issuance of a final order
8 terminating the case and after the normal retention period for court records
9 expires, the affidavit or copies of records shall be permanently disposed of by the
10 clerk in a manner that protects the confidentiality of the information contained
11 therein.

12 (6) Records of the system that are susceptible to photostatic reproduction may be
13 proved as to foundation, identity, and authenticity without any preliminary
14 testimony, by use of legible and durable copies, certified in accordance with the
15 provisions of this section.

16 (7) (a) 1. Upon request by any person, the County Employees Retirement
17 System shall release the following information from the accounts of
18 any member or retiree of the system, if the member or retiree was a
19 current or former officeholder in the Kentucky General Assembly:

20 a. The first and last name of the member or retiree;

21 b. The status of the member or retiree, including but not limited to
22 whether he or she is a contributing member, a member who is
23 not currently contributing to the plans but has not retired, or a
24 retiree drawing a monthly retirement allowance;

25 c. If the individual is a retiree, the monthly retirement allowance
26 that he or she was receiving at the end of the most recently
27 completed fiscal year; and

1 d. If the individual is a member who has not yet retired, the
2 estimated monthly retirement allowance that he or she is eligible
3 to receive on the first date he or she would be eligible for an
4 unreduced retirement allowance, using his or her service credit,
5 final compensation, and accumulated account balance at the end
6 of the most recently completed fiscal year.

7 2. No information shall be disclosed under this paragraph from an
8 account that is paying benefits to a beneficiary due to the death of a
9 member or retiree.

10 (b) The release of information under paragraph (a) of this subsection shall not
11 constitute a violation of the Open Records Act, KRS 61.870 to 61.884.

12 ➔SECTION 51. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
13 TO READ AS FOLLOWS:

14 Notwithstanding any other provisions of KRS 78.510 to 78.852, a maximum disability
15 benefit is hereby established which shall apply, upon disability retirement, to any
16 disabled employee's account to which service credit is added to determine disability
17 benefits or in any case where disability benefits are determined by computing a
18 percentage of the disabled employee's final monthly rate of pay. The maximum
19 disability benefit shall be determined by the following formula:

20 (1) Add the monthly benefit payable to the disabled employee from the system, using
21 the monthly disability retirement allowance without any reduction due to the
22 selection of an optional payment plan under Section 24 of this Act but excluding
23 dependent children's allowances, if any, to his monthly benefit, if any, from
24 Social Security, even though these payments may not begin for a period of time
25 as required for qualification under the federal Social Security law, excluding
26 spouse or dependent benefits, and his monthly benefit, if any, from workers'
27 compensation, even though these payments may not have begun as of the date the

1 disabled member applies for disability retirement benefits, excluding spouse or
2 dependent children's allowances, from workers' compensation, to arrive at a
3 projected combined monthly benefit.

4 (2) If the projected combined monthly benefit exceeds one hundred percent (100%)
5 of the disabled employee's final rate of pay or his final compensation, whichever
6 is greater, his disability retirement allowance from the system shall be reduced to
7 an amount which would cause his projected combined monthly benefit to equal
8 one hundred percent (100%) of his final rate of pay or his final compensation,
9 whichever is greater; however, the disability retirement allowance shall not be
10 reduced below an amount which would result from a computation of his
11 disability retirement allowance from the system using the disabled employee's
12 actual total service.

13 (3) The system may pay estimated benefits to a disabled employee, upon qualification
14 for disability retirement, based on an estimate of his Social Security and workers'
15 compensation benefits until the amounts are actually determined, at which time a
16 final calculation of the member's actual benefits shall be determined and his
17 account corrected retroactive to his effective retirement date.

18 (4) Any increase in Social Security benefits or workers' compensation benefits which
19 becomes law, regardless of their effective date, subsequent to the disabled
20 employee's effective retirement date, shall not be considered in determination of
21 the maximum benefit payable, as the maximum benefit payable is based on the
22 amount of combined benefits under these programs as of the disabled employee's
23 effective retirement date.

24 (5) Any disabled recipient whose potential payments from the system were reduced as
25 provided for in this section shall advise the system if his payments under the
26 Federal Social Security Act or Workers' Compensation Act cease at any time
27 subsequent to his effective retirement date. Upon investigation, if the system

1 determines that the disabled recipient continues to be eligible for disability
2 benefits, the system may increase his retirement allowance by adding to his
3 payment an amount equal to the reduction applied upon the effective retirement
4 date in accordance with subsection (2) of this section.

5 (6) The amount of combined disability benefit payments made to an individual on or
6 after July 1, 2017, from the Kentucky Retirement Systems or the County
7 Employees Retirement System shall not be increased as a result of the passage of
8 this Act.

9 ➔Section 52. KRS 78.852 is amended to read as follows:

10 (1) For members who begin participating in the County Employees Retirement System
11 prior to January 1, 2014, it is hereby declared that in consideration of the
12 contributions by the members and in further consideration of benefits received by
13 the county from the member's employment, KRS 78.510 to 78.852 shall, except as
14 provided in KRS 6.696 effective September 16, 1993, constitute an inviolable
15 contract of the Commonwealth, and the benefits provided therein shall, except as
16 provided in KRS 6.696, not be subject to reduction or impairment by alteration,
17 amendment, or repeal.

18 (2) (a) For members who begin participating in the County Employees Retirement
19 System on or after January 1, 2014, the General Assembly reserves the right to
20 amend, suspend, or reduce the benefits and rights provided under KRS 78.510
21 to 78.852 if, in its judgment, the welfare of the Commonwealth so demands,
22 except that the amount of benefits the member has accrued at the time of
23 amendment, suspension, or reduction shall not be affected.

24 (b) For purposes of this subsection, the amount of benefits the member has
25 accrued at the time of amendment, suspension, or reduction shall be limited to
26 the accumulated account balance the member has accrued at the time of
27 amendment, suspension, or reduction.

1 (c) The provisions of this subsection shall not be construed to limit the General
 2 Assembly's authority to change any other benefit or right specified by KRS
 3 78.510 to 78.852, except the benefits specified by paragraph (b) of this
 4 subsection, for members who begin participating in the County Employees
 5 Retirement System on or after January 1, 2014.

6 (3) The provisions of this section shall not be construed to limit the General Assembly's
 7 authority to amend, reduce, or suspend the benefits and rights of members of the
 8 County Employees Retirement System as provided by KRS 78.510 to 78.852 that
 9 the General Assembly had the authority to amend, reduce, or suspend, prior to July
 10 1, 2013.

11 **(4) Notwithstanding any other provision of state statute to the contrary, responsibility**
 12 **for funding the provisions of KRS 78.510 to 78.852, including any contractual**
 13 **obligations under this section, shall be the responsibility of the employers**
 14 **participating in the County Employees Retirement System. For any employer**
 15 **failing to fund the requirements of KRS 78.510 to 78.852, the board shall have**
 16 **the full authority under the law to:**

17 **(a) Require the employer involuntarily cease participating and pay all costs for**
 18 **ceasing participation as provided by Section 3 of this Act; or**

19 **(b) Suspend benefit payments and refunds or to seek legal action as provided by**
 20 **Section 13 of this Act for any employer failing to fund the requirements of**
 21 **KRS 78.510 to 78.852.**

22 ➔Section 53. KRS 78.550 is amended to read as follows:

23 Any person who is an employee on the date his county first participates in the system,
 24 either in service or on leave from service, who does not elect within the time set forth in
 25 KRS 78.510 to 78.852 to become a member and thereby make contributions required of
 26 him by KRS 78.510 to 78.852, shall forfeit all right for credit for service with any county
 27 prior to the date he might subsequently elect to become a member, except as provided in

1 Section 10 of this Act ~~[KRS 61.552]~~ or 78.530(3)(d).

2 →Section 54. KRS 6.350 is amended to read as follows:

3 (1) A bill which would increase or decrease the benefits or increase or decrease
4 participation in the benefits or change the actuarial accrued liability of any state-
5 administered retirement system shall not be reported from a legislative committee of
6 either house of the General Assembly for consideration by the full membership of
7 that house unless the bill is accompanied by an actuarial analysis.

8 (2) (a) An actuarial analysis required by this section must show the economic effect
9 of the bill on the state-administered retirement system over a twenty (20) year
10 period, including:

11 1. An estimate of the effect on the unfunded actuarial accrued liabilities
12 and funding levels of the affected systems; and

13 2. A projection of the annual employer costs to the systems of
14 implementing the legislation over the twenty (20) year period. The
15 annual employer cost projection shall include the effect on the
16 contributions of participating employers as a percentage of total payroll
17 and in total dollars of contributions.

18 (b) If a bill affects more than one (1) state-administered retirement system, the
19 actuarial analysis shall project costs for each affected state-administered
20 retirement system.

21 (c) An actuarial analysis shall state the actuarial assumptions and methods of
22 computation used in the analysis and shall state whether or not the bill or
23 resolution, if enacted, would, in the opinion of the actuary, make the affected
24 state-administered retirement system actuarially unsound or, in the case of a
25 system already actuarially unsound, more unsound. Actuarial cost methods
26 and assumptions that meet actuarial standards of practice established by the
27 Actuarial Standards Board shall be used in all cost projections.

- 1 (d) An actuarial analysis required by this section shall be prepared by an actuary
2 who is a fellow of the Conference of Consulting Actuaries or a member of the
3 American Academy of Actuaries.
- 4 (3) (a) An actuary commissioned to make an actuarial analysis that is required by this
5 section, or for the purpose of seeking appropriations for a state-administered
6 retirement system, shall include in the analysis a complete definition of each
7 actuarial term used in the analysis and, either in the analysis or in a separate
8 actuarial valuation report made available as a public record, an enumeration
9 and explanation of each actuarial assumption used to complete the actuarial
10 analysis.
- 11 (b) If the actuary commissioned to complete the actuarial analysis is relying upon
12 assumptions that have not been previously established by the actuary in an
13 actuarial valuation of the affected state-administered retirement system, the
14 actuary shall clearly note and describe the new assumption and the basis for
15 selecting the assumption.
- 16 (4) The actuarial analysis required by this section shall be completed by the actuary
17 retained by the affected state-administered retirement system. The state-
18 administered retirement systems shall provide the analysis without cost to the
19 General Assembly.
- 20 (5) For purposes of this section, the terms:
- 21 (a) "State-administered retirement system" shall include:
- 22 1. The Kentucky Employees Retirement System~~[, the County Employees~~
23 ~~Retirement System,]~~ and the State Police Retirement System
24 administered by the Kentucky Retirement Systems and established under
25 the provisions of KRS 16.505 to 16.652 and~~[,]~~ 61.510 to 61.705~~[, and~~
26 ~~78.510 to 78.852]~~;
- 27 2. The Kentucky Teachers' Retirement System established under KRS

1 161.220 to 161.716;

2 3. The Judicial Retirement Plan established under KRS 21.345 to 21.580;

3 ~~and~~

4 4. The Legislators' Retirement Plan established under KRS 6.500 to 6.577;

5 and

6 **5. The County Employees Retirement System established under KRS**

7 **78.510 to 78.852; and**

8 (b) "Funding level" means the actuarial value of assets divided by the actuarially
9 accrued liability expressed as a percentage.

10 ➔Section 55. KRS 7A.250 is amended to read as follows:

11 The Public Pension Oversight Board:

12 (1) Shall, from time to time, conduct an impartial review of all the laws governing the
13 state-administered retirement systems and recommend any changes it may find
14 desirable with respect to benefits and administration, funding of benefits,
15 investments of funds, and the improvement of language, structure, and organization
16 of the statutes;

17 (2) Shall, once every five (5) years, review the benefits provided to employees who
18 begin participating in the systems administered by the Kentucky Retirement
19 Systems **or the County Employees Retirement System** on or after January 1, 2014,
20 and recommend any changes to the provisions affecting these employees that are
21 necessary to maintain the actuarial soundness of the systems;

22 (3) Shall review semiannually the investment programs of the state-administered
23 retirement systems, including a review of asset allocation targets and ranges, risk
24 factors, asset class benchmarks, total return objectives, relative volatility,
25 performance evaluation guidelines, investment policies, and securities litigation
26 policies and recoveries from fraud or other corporate malfeasance. The board may
27 establish an advisory committee, as provided by KRS 7A.260, which may include

- 1 investment professionals to assist in complying with the provisions of this
2 subsection;
- 3 (4) May review any benefits, bylaws, policies, or charters established by the state-
4 administered retirement systems;
- 5 (5) Shall, at the request of the Speaker of the House of Representatives or the President
6 of the Senate, evaluate proposed changes to laws affecting the state-administered
7 retirement systems and report to the Speaker or the President on the probable costs,
8 actuarial implications, and desirability as a matter of public policy;
- 9 (6) May review all new or amended administrative regulations of the state-administered
10 retirement systems and provide comments to the Administrative Regulation Review
11 Subcommittee established by KRS 13A.020;
- 12 (7) Shall research issues related to the state-administered retirement systems as directed
13 by the Legislative Research Commission;
- 14 (8) Shall at least once every five (5) years have an actuarial audit performed for the
15 state-administered retirement systems to evaluate the reliability of each system's
16 actuarial assumptions and methods. The actuarial audit shall be performed by an
17 actuary retained by the Public Pension Oversight Board;
- 18 (9) Shall prior to each budget biennium have an actuarial review of the funding requests
19 and needs submitted by the state-administered retirement systems. The review shall
20 be performed by an actuary retained by the Public Pension Oversight Board; and
- 21 (10) Shall publish an annual report covering the board's evaluation and recommendations
22 with respect to the operations of the state-administered retirement systems. The
23 report shall be submitted to the Legislative Research Commission no later than
24 December 31 of each year and shall include at a minimum any legislative
25 recommendations made by the board, a summary of the financial and actuarial
26 condition of the state-administered retirement systems, and an analysis of the
27 adequacy of the current levels of funding.

1 ➔Section 56. KRS 16.505 is amended to read as follows:

2 As used in KRS 16.505 to 16.652, unless the context otherwise requires:

- 3 (1) "System" means the State Police Retirement System created by KRS 16.505 to
4 16.652;
- 5 (2) "Board" means the board of trustees of the Kentucky Retirement Systems;
- 6 (3) "Employer" or "State Police" means the Department of Kentucky State Police, or its
7 successor;
- 8 (4) "Current service" means the number of years and completed months of employment
9 as an employee subsequent to July 1, 1958, for which creditable compensation was
10 paid by the employer and employee contributions deducted except as otherwise
11 provided;
- 12 (5) "Prior service" means the number of years and completed months of employment as
13 an employee prior to July 1, 1958, for which creditable compensation was paid to
14 the employee by the Commonwealth. Twelve (12) months of current service in the
15 system are required to validate prior service;
- 16 (6) "Service" means the total of current service and prior service;
- 17 (7) "Accumulated contributions" at any time means the sum of all amounts deducted
18 from the compensation of a member and credited to his individual account in the
19 member's account, including employee contributions picked up after August 1,
20 1982, pursuant to KRS 16.545(4), together with interest credited on such amounts
21 as provided in KRS 16.505 to 16.652, and any other amounts the member shall have
22 contributed, including interest credited. For members who begin participating on or
23 after September 1, 2008, "accumulated contributions" shall not include employee
24 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.
25 401(h) within the funds established in KRS 16.510 and 61.515~~, and 78.520~~, as
26 prescribed by KRS 61.702(2)(b);
- 27 (8) "Creditable compensation" means all salary and wages, including payments for

1 compensatory time, paid to the employee as a result of services performed for the
2 employer or for time during which the member is on paid leave, which are
3 includable on the member's federal form W-2 wage and tax statement under the
4 heading "wages, tips, other compensation," including employee contributions
5 picked up after August 1, 1982, pursuant to KRS 16.545(4). A lump-sum bonus,
6 severance pay, or employer-provided payment for purchase of service credit shall be
7 included as creditable compensation but shall be averaged over the employee's total
8 service with the system in which it is recorded if it is equal to or greater than one
9 thousand dollars (\$1,000). Living allowances, expense reimbursements, lump-sum
10 payments for accrued vacation leave, and other items determined by the board shall
11 be excluded. Creditable compensation shall also include amounts which are not
12 includable in the member's gross income by virtue of the member having taken a
13 voluntary salary reduction provided for under applicable provisions of the Internal
14 Revenue Code. Creditable compensation shall also include elective amounts for
15 qualified transportation fringes paid or made available on or after January 1, 2001,
16 for calendar years on or after January 1, 2001, that are not includable in the gross
17 income of the employee by reason of 26 U.S.C. sec. 132(f)(4). For employees who
18 begin participating on or after September 1, 2008, creditable compensation shall not
19 include payments for compensatory time;

20 (9) "Final compensation" means:

21 (a) For a member who begins participating before September 1, 2008, the
22 creditable compensation of a member during the three (3) fiscal years he was
23 paid at the highest average monthly rate divided by the number of months of
24 service credit during the three (3) year period, multiplied by twelve (12); the
25 three (3) years may be fractional and need not be consecutive. If the number of
26 months of service credit during the three (3) year period is less than twenty-
27 four (24), one (1) or more additional fiscal years shall be used; or

- 1 (b) For a member who begins participating on or after September 1, 2008, but
2 prior to January 1, 2014, the creditable compensation of the member during
3 the three (3) complete fiscal years he or she was paid at the highest average
4 monthly rate divided by three (3). Each fiscal year used to determine final
5 compensation must contain twelve (12) months of service credit;
- 6 (10) "Final rate of pay" means the actual rate upon which earnings of a member were
7 calculated during the twelve (12) month period immediately preceding the
8 member's effective retirement date, including employee contributions picked up
9 after August 1, 1982, pursuant to KRS 16.545(4). The rate shall be certified to the
10 system by the employer and the following equivalents shall be used to convert the
11 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
12 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-
13 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12)
14 months, or one (1) year;
- 15 (11) "Retired member" means any former member receiving a retirement allowance or
16 any former member who has filed the necessary documents for retirement benefits
17 and is no longer contributing to the retirement system;
- 18 (12) "Retirement allowance" means the retirement payments to which a retired member
19 is entitled;
- 20 (13) "Actuarial equivalent" means a benefit of equal value when computed upon the
21 basis of actuarial tables adopted by the board. In cases of disability retirement, the
22 options authorized by KRS 61.635 shall be computed by adding ten (10) years to
23 the age of the member, unless the member has chosen the Social Security
24 adjustment option as provided for in KRS 61.635(8), in which case the member's
25 actual age shall be used. For members who began participating in the system prior
26 to January 1, 2014, no disability retirement option shall be less than the same option
27 computed under early retirement;

- 1 (14) "Authorized leave of absence" means any time during which a person is absent from
2 employment but retained in the status of an employee in accordance with the
3 personnel policy of the Department of Kentucky State Police;
- 4 (15) "Normal retirement date" means:
- 5 (a) For a member who begins participating before September 1, 2008, the first
6 day of the month following a member's fifty-fifth birthday, except that for
7 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,
8 1959; or
- 9 (b) For a member who begins participating on or after September 1, 2008, the
10 first day of the month following a member's sixtieth birthday;
- 11 (16) "Disability retirement date" means the first day of the month following the last day
12 of paid employment;
- 13 (17) "Dependent child" means a child in the womb and a natural or legally adopted child
14 of the member who has neither attained age eighteen (18) nor married or who is an
15 unmarried full-time student who has not attained age twenty-two (22);
- 16 (18) "Optional allowance" means an actuarially equivalent benefit elected by the member
17 in lieu of all other benefits provided by KRS 16.505 to 16.652;
- 18 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined
19 by the board, was required in the performance of the duties specified in KRS
20 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of
21 duty" shall mean an act occurring which was required in the performance of the
22 principal duties of the position as defined by the job description;
- 23 (20) "Early retirement date" means:
- 24 (a) For a member who begins participating before September 1, 2008, the
25 retirement date declared by a member who is not less than fifty (50) years of
26 age and has fifteen (15) years of service; or
- 27 (b) For a member who begins participating on or after September 1, 2008, but

1 prior to January 1, 2014, the retirement date declared by a member who is not
2 less than fifty (50) years of age and has fifteen (15) years of service credited
3 under KRS 16.543(1), 61.543(1), ~~for 78.615(1)~~ or another state-administered
4 retirement system;

5 (21) "Member" means any officer included in the membership of the system as provided
6 under KRS 16.520 whose membership has not been terminated under KRS 61.535;

7 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS
8 16.010;

9 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which
10 results in an employee's total incapacity to continue as an employee in a hazardous
11 position, but the employee is not necessarily deemed to be totally and permanently
12 disabled to engage in other occupations for remuneration or profit;

13 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
14 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
15 pay. The rate shall be certified by the employer;

16 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
17 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
18 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not
19 mean an estate, trust, or trustee;

20 (26) "Recipient" means the retired member, the person or persons designated as
21 beneficiary by the member and drawing a retirement allowance as a result of the
22 member's death, or a dependent child drawing a retirement allowance. An alternate
23 payee of a qualified domestic relations order shall not be considered a recipient,
24 except for purposes of KRS 61.623;

25 (27) "Person" means a natural person;

26 (28) "Retirement office" means the Kentucky Retirement Systems office building in
27 Frankfort;

- 1 (29) "Delayed contribution payment" means an amount paid by an employee for
2 purchase of current service. The amount shall be determined using the same formula
3 in KRS 61.5525, and the payment shall not be picked up by the employer. A
4 delayed contribution payment shall be deposited to the member's account and
5 considered as accumulated contributions of the individual member;
- 6 (30) "Last day of paid employment" means the last date employer and employee
7 contributions are required to be reported in accordance with KRS 16.543 ~~or~~
8 61.543~~, or 78.615~~ to the retirement office in order for the employee to receive
9 current service credit for the month. Last day of paid employment does not mean a
10 date the employee receives payment for accrued leave, whether by lump sum or
11 otherwise, if that date occurs twenty-four (24) or more months after previous
12 contributions;
- 13 (31) "Objective medical evidence" means reports of examinations or treatments; medical
14 signs which are anatomical, physiological, or psychological abnormalities that can
15 be observed; psychiatric signs which are medically demonstrable phenomena
16 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
17 or contact with reality; or laboratory findings which are anatomical, physiological,
18 or psychological phenomena that can be shown by medically acceptable laboratory
19 diagnostic techniques, including but not limited to chemical tests,
20 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 21 (32) "Fiscal year" of the system means the twelve (12) months from July 1 through the
22 following June 30, which shall also be the plan year. The "fiscal year" shall be the
23 limitation year used to determine contribution and benefit limits established by 26
24 U.S.C. sec. 415;
- 25 (33) "Participating" means an employee is currently earning service credit in the system
26 as provided in KRS 16.543;
- 27 (34) "Month" means a calendar month;

- 1 (35) "Membership date" means the date upon which the member began participating in
2 the system as provided by KRS 16.543;
- 3 (36) "Participant" means a member, as defined by subsection (21) of this section, or a
4 retired member, as defined by subsection (11) of this section;
- 5 (37) "Qualified domestic relations order" means any judgment, decree, or order,
6 including approval of a property settlement agreement, that:
- 7 (a) Is issued by a court or administrative agency; and
- 8 (b) Relates to the provision of child support, alimony payments, or marital
9 property rights to an alternate payee;
- 10 (38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
11 participant, who is designated to be paid retirement benefits in a qualified domestic
12 relations order;
- 13 (39) "Accumulated employer credit" means the employer pay credit deposited to the
14 member's account and interest credited on such amounts as provided by KRS
15 16.583; and
- 16 (40) "Accumulated account balance" means:
- 17 (a) For members who began participating in the system prior to January 1, 2014,
18 the member's accumulated contributions; or
- 19 (b) For members who began participating in the system on or after January 1,
20 2014, in the hybrid cash balance plan as provided by KRS 16.583, the
21 combined sum of the member's accumulated contributions and the member's
22 accumulated employer pay credit.

23 ➔Section 57. KRS 16.555 is amended to read as follows:

24 All the assets of the system shall be held and invested in the State Police Retirement Fund
25 and credited, according to the purpose for which they are held, to one (1) of three (3)
26 accounts: the "members' account," the "retirement allowance account," and accounts
27 established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510

1 ~~and~~ 61.515~~, and 78.520~~, as prescribed by KRS 61.702(2)(b).

2 →Section 58. KRS 16.576 is amended to read as follows:

- 3 (1) (a) Any member who begins participating before September 1, 2008, who has at
4 least five (5) years of service credit may retire at his normal retirement date, or
5 subsequent thereto, upon written notification to the system, setting forth at
6 what date the retirement is to become effective, if the effective date shall be
7 after his last day of service and subsequent to the filing of the notice at the
8 retirement office.
- 9 (b) Any member who begins participating on or after September 1, 2008, who has
10 at least five (5) years of service credited under KRS 16.543(1), 61.543(1), ~~or~~
11 ~~78.615(1)~~ or another state-administered retirement system may retire at his or
12 her normal retirement date, or subsequent thereto, upon written notification to
13 the system, setting forth what date the retirement is to become effective, if the
14 effective date shall be after his or her last day of service and subsequent to the
15 filing of the notice at the retirement office.
- 16 (2) The member shall have the right to elect to have his retirement allowance payable
17 under subsection (3), (4), or (6) of this section or any one (1) of the plans set forth
18 in KRS 61.635.
- 19 (3) (a) Effective August 1, 1990, a member of the Kentucky State Police Retirement
20 System may elect to receive an annual retirement allowance, payable monthly
21 during his lifetime, equal to two and five-tenths percent (2.5%) of final
22 compensation for each year of service credit. ~~Effective August 1, 1988, a~~
23 ~~member of the County Employees Retirement System covered by this section~~
24 ~~may elect to receive an annual retirement allowance, payable monthly during~~
25 ~~his lifetime, equal to two and five-tenths percent (2.5%) of final compensation~~
26 ~~for each year of service credit.~~ Effective August 1, 1988, a member of the
27 Kentucky Employees Retirement System covered by this section may elect to

1 receive an annual retirement allowance, payable monthly during his lifetime,
2 equal to two and forty-nine hundredths percent (2.49%) of final compensation
3 for each year of service credit. The annual retirement allowance for a member
4 covered by this section shall not exceed the maximum benefit as set forth in
5 the Internal Revenue Code.

6 (b) A member of the State Police Retirement System ~~or~~ a member of the
7 Kentucky Employees Retirement System covered by this section, ~~for a~~
8 ~~member of the County Employees Retirement System covered by this section,~~
9 whose participation begins on or after September 1, 2008, but prior to
10 January 1, 2014, shall receive an annual retirement allowance, payable
11 monthly during his or her lifetime, equal to:

- 12 1. One and three-tenths percent (1.3%) of final compensation for each year
13 of service credit if the employee has earned ten (10) or less years of
14 service at retirement;
- 15 2. One and one-half percent (1.5%) of final compensation for each year of
16 service credit if the employee has earned greater than ten (10) but no
17 more than twenty (20) years of service at retirement;
- 18 3. Two and one-quarter percent (2.25%) of final compensation for each
19 year of service credit if the employee has earned greater than twenty (20)
20 but less than twenty-five (25) years of service at retirement; or
- 21 4. Two and one-half percent (2.5%) of final compensation for each year of
22 service credit if the employee has earned twenty-five (25) or more years
23 of service at retirement.

24 (4) The member may elect to receive a monthly retirement allowance payable for ten
25 (10) years certain, actuarially equivalent to the retirement allowance payable under
26 subsection (3) of this section. If the member should become deceased prior to the
27 expiration of ten (10) years, his beneficiary, unless the beneficiary is the member's

1 estate, shall receive the remaining payments monthly for the duration of the ten (10)
2 years. If the member's estate is the beneficiary, the member's estate shall receive a
3 lump-sum payment which shall be the actuarial equivalent to the remaining
4 payments. The provisions of KRS 61.702 notwithstanding, the member who retired
5 on June 17, 1978, or thereafter, and his spouse and eligible dependents shall
6 continue to receive the insurance benefits to which they are entitled pursuant to
7 KRS 61.702 after the expiration of ten (10) years. Effective with any insurance
8 contract procured, or self-insurance plan instituted, after July 15, 1990, a member
9 who retired prior to June 17, 1978, and his spouse and eligible dependents shall
10 receive insurance benefits pursuant to KRS 61.702 upon payment by the member or
11 beneficiary of the entire cost of the required insurance premium.

12 (5) Notwithstanding any other provisions of this section, upon written notification to
13 the system, a member shall have the option to defer his election to receive his
14 retirement allowance. The retirement allowance payable under a deferred option
15 shall be increased to reflect the deferred receipt of benefits.

16 (6) In lieu of any other benefits due under KRS 16.505 to 16.652, a member who
17 begins participating before September 1, 2008, who has attained age fifty-five (55)
18 and who has attained at least one (1) month of service credit but no more than fifty-
19 nine (59) months of service credit may elect to receive an annual retirement
20 allowance, payable monthly or less frequently as determined by the board, which
21 shall be determined by multiplying his accumulated contributions by two (2) and
22 converting this amount to an annual retirement allowance based on an annuity rate
23 adopted by the board which would pay the actuarial equivalent of twice his
24 accumulated contributions over the lifetime of the retired member.

25 (7) Subsections (1) to (6) of this section shall not apply to members who begin
26 participating in the system on or after January 1, 2014. Members who begin
27 participating in the system on or after January 1, 2014, shall receive the retirement

1 benefit calculation prescribed by KRS 16.583.

2 ➔Section 59. KRS 16.577 is amended to read as follows:

- 3 (1) Upon retirement at early retirement date, a member may receive an annual
4 retirement allowance payable monthly during his lifetime which shall be determined
5 in the same manner as for retirement at his normal retirement date, with years of
6 service and final compensation being determined as of the date of his actual
7 retirement, but the amount of the retirement allowance so determined shall be
8 reduced at an amount determined by the board's actuary to reflect the earlier
9 commencement of benefits.
- 10 (2) For a member who begins participating before September 1, 2008, there shall be no
11 reduction in the retirement allowance if the member has twenty (20) or more years
12 of service credit, at least fifteen (15) of which are current service.
- 13 (3) For a member who begins participating on or after September 1, 2008, but prior to
14 January 1, 2014, there shall be no reduction in the retirement allowance if the
15 member has twenty-five (25) or more years of service credited under KRS
16 16.543(1), 61.543(1), ~~for 78.615(1)~~ or another state-administered retirement
17 system.
- 18 (4) Subsections (1) to (3) of this section shall not apply to members who begin
19 participating in the system on or after January 1, 2014. Members who begin
20 participating in the system on or after January 1, 2014, shall receive the retirement
21 benefit calculation prescribed by KRS 16.583.

22 ➔Section 60. KRS 16.583 is amended to read as follows:

- 23 (1) A member of the State Police Retirement System ~~or~~ a member of the Kentucky
24 Employees Retirement System in a hazardous duty position covered by this section,
25 ~~for a member of the County Employees Retirement System in a hazardous duty~~
26 ~~position covered by this section,~~ whose participation begins on or after January 1,
27 2014, shall receive the retirement benefits provided by this section in lieu of the

1 retirement benefits provided under KRS 16.576 and 16.577. The retirement benefit
2 provided by this section shall be known as the hybrid cash balance plan and shall
3 operate as another benefit tier within the State Police Retirement System and the
4 Kentucky Employees Retirement System~~, and the County Employees Retirement~~
5 ~~System~~.

6 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the
7 member's accumulated account balance, which shall include:

8 (a) Contributions made by the member as provided by KRS 16.505 to 16.652
9 and 61.510 to 61.705, ~~and 78.510 to 78.852,~~ except for employee
10 contributions prescribed by KRS 61.702(2)(b);

11 (b) An employer pay credit of seven and one-half percent (7.5%) of the creditable
12 compensation earned by the employee for each month the employee is
13 contributing to the hybrid cash balance plan provided by this section; and

14 (c) Interest credits added annually to the member's accumulated account balance
15 as provided by this section.

16 (3) (a) Member contributions and employer pay credits as provided by subsection
17 (2)(a) and (b) of this section shall be credited to the member's account
18 monthly as contributions are reported and posted to the system in accordance
19 with KRS 61.675~~and 78.625~~.

20 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be
21 credited to the member's account annually on June 30 of each fiscal year, as
22 determined by subsection (4) of this section.

23 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
24 contributed to the hybrid cash balance plan during the fiscal year.

25 (b) If the member contributed to the hybrid cash balance plan during the fiscal
26 year, the interest credit added to the member's account for that fiscal year shall
27 be determined by multiplying the member's accumulated account balance on

- 1 June 30 of the preceding fiscal year by a percentage increase equal to:
- 2 1. Four percent (4%); plus
- 3 2. Seventy-five percent (75%) of the system's geometric average net
- 4 investment return in excess of a four percent (4%) rate of return.
- 5 (c) If the member did not contribute to the hybrid cash balance plan during the
- 6 fiscal year, the interest credit added to the member's account for that fiscal
- 7 year shall be determined by multiplying the member's accumulated account
- 8 balance on June 30 of the preceding fiscal year by four percent (4%).
- 9 (d) For purposes of this subsection, "system's geometric average net investment
- 10 return":
- 11 1. Means the annual average geometric investment return, net of
- 12 administrative and investment fees and expenses, over the last five (5)
- 13 fiscal years as of the date the interest is credited to the member's
- 14 account; and
- 15 2. Shall be expressed as a percentage and based upon the system in which
- 16 the member has an account.
- 17 (e) No employer pay credits or interest credits shall be provided to a member who
- 18 has taken a refund of contributions as provided by KRS 61.625 or who has
- 19 retired and annuitized his or her accumulated account balance as prescribed by
- 20 this section.
- 21 (5) (a) Upon termination of employment, a member who has less than five (5) years
- 22 of service credited under KRS 16.543(1) and 61.543(1), ~~and 78.615(1),~~
- 23 ~~who~~ who elects to take a refund of his or her accumulated account balance as
- 24 provided by KRS 61.625, shall forfeit the accumulated employer credit, and
- 25 shall only receive a refund of his or her accumulated contributions.
- 26 (b) Upon termination of employment, a member who has five (5) or more years of
- 27 service credited under KRS 16.543(1) and 61.543(1), ~~and 78.615(1),~~ who

1 elects to take a refund of his or her accumulated account balance as provided
 2 by KRS 61.625, shall receive a full refund of his or her accumulated account
 3 balance.

4 (6) A member participating in the hybrid cash balance plan provided by this section
 5 may retire:

6 (a) At his or her normal retirement date, provided he or she has earned five (5) or
 7 more years of service credited under KRS 16.543(1), 61.543(1), ~~for 78.615(1),~~
 8 ~~for another state-administered retirement system; or~~

9 (b) At any age, provided he or she has earned twenty-five (25) or more years of
 10 service credited under KRS 16.543(1), 61.543(1), ~~for 78.615(1)~~ or another
 11 state-administered retirement system.

12 (7) A member eligible to retire under subsection (6) of this section may elect to:

13 (a) Receive a monthly retirement allowance payable for life by having his or her
 14 accumulated account balance annuitized by the retirement systems in
 15 accordance with the actuarial assumptions and actuarial methods adopted by
 16 the board and in effect on the member's retirement date;

17 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
 18 under paragraph (a) of this subsection payable under one (1) of the options set
 19 forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

20 (c) Take a refund of his or her account balance as provided by KRS 61.625.

21 (8) The provisions of this section shall not apply to members who began participating
 22 in the Kentucky Employees Retirement System~~, the County Employees Retirement~~
 23 ~~System,~~ or the State Police Retirement System prior to January 1, 2014.

24 ➔Section 61. KRS 16.582 is amended to read as follows:

25 (1) (a) Total and permanent disability means a disability which results in the
 26 member's incapacity to engage in any occupation for remuneration or profit.

27 Loss by severance of both hands at or above the wrists, or both feet at or

1 above the ankles, or one (1) hand above the wrist and one (1) foot above the
2 ankle, or the complete, irrevocable loss of the sight of both eyes shall be
3 considered as total and permanent.

4 (b) Hazardous disability means a disability which results in the member's total
5 incapacity to continue as a regular full-time officer or as an employee in a
6 hazardous position, as defined in KRS 61.592, but which does not result in the
7 member's total and permanent incapacity to engage in other occupations for
8 remuneration or profit.

9 (c) In determining whether the disability meets the requirement of this section,
10 any reasonable accommodation provided by the employer as provided in 42
11 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 shall be considered.

12 (d) If the board determines that the total and permanent disability of a member
13 receiving a retirement allowance under this section has ceased, then the board
14 shall determine if the member has a hazardous disability.

15 (2) Any person may qualify to retire on disability, subject to the following:

16 (a) The person shall have sixty (60) months of service, twelve (12) of which shall
17 be current service credited under KRS 16.543(1) or 61.543(1) ~~or~~
18 ~~78.615(1)~~. The service requirement shall be waived if the disability is a total
19 and permanent disability or a hazardous disability and is a direct result of an
20 act in line of duty;

21 (b) For a person whose membership date is prior to August 1, 2004, the person
22 shall not be eligible for an unreduced retirement allowance;

23 (c) The person's application shall be on file in the retirement office no later than
24 twenty-four (24) months after the person's last day of paid employment, as
25 defined in KRS 16.505, as a regular full-time officer or in a regular full-time
26 hazardous position under KRS 61.592;

27 (d) The person shall receive a satisfactory determination pursuant to KRS 61.665;

1 and

2 (e) A person's disability application based on the same claim of incapacity shall
3 be accepted and reconsidered for disability if accompanied by new objective
4 medical evidence. The application shall be on file in the retirement office no
5 later than twenty-four (24) months after the person's last day of paid
6 employment as a regular full-time officer or in a regular full-time hazardous
7 position.

8 (3) Upon the examination of the objective medical evidence by licensed physicians
9 pursuant to KRS 61.665, it shall be determined that:

10 (a) The incapacity results from bodily injury, mental illness, or disease. For
11 purposes of this section, "injury" means any physical harm or damage to the
12 human organism other than disease or mental illness;

13 (b) The incapacity is deemed to be permanent; and

14 (c) The incapacity does not result directly or indirectly from:

15 1. Injury intentionally self-inflicted while sane or insane;

16 2. Injury or disease resulting from military service; or

17 3. Bodily injury, mental illness, disease, or condition which pre-existed
18 membership in the system or reemployment, whichever is most recent,
19 unless:

20 a. The disability results from bodily injury, mental illness, disease, or
21 a condition which has been substantially aggravated by an injury or
22 accident arising out of or in the course of employment; or

23 b. The person has at least sixteen (16) years' current or prior service
24 for employment with employers participating in the retirement
25 systems administered by the Kentucky Retirement Systems.

26 For purposes of this subparagraph, "reemployment" shall not mean a
27 change of employment between employers participating in the

1 retirement systems administered by the Kentucky Retirement Systems
2 with no loss of service credit.

- 3 (4) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result
4 in death or can be expected to last for a continuous period of not less
5 than twelve (12) months from the person's last day of paid employment
6 in a position as regular full-time officer or a hazardous position.
- 7 2. The determination of a permanent incapacity shall be based on the
8 medical evidence contained in the member's file and the member's
9 residual functional capacity and physical exertion requirements.
- 10 (b) The person's residual functional capacity shall be the person's capacity for
11 work activity on a regular and continuing basis. The person's physical ability
12 shall be assessed in light of the severity of the person's physical, mental, and
13 other impairments. The person's ability to walk, stand, carry, push, pull, reach,
14 handle, and other physical functions shall be considered with regard to
15 physical impairments. The person's ability to understand, remember, and carry
16 out instructions and respond appropriately to supervision, coworkers, and
17 work pressures in a work setting shall be considered with regard to mental
18 impairments. Other impairments, including skin impairments, epilepsy, visual
19 sensory impairments, postural and manipulative limitations, and
20 environmental restrictions, shall be considered in conjunction with the
21 person's physical and mental impairments to determine residual functional
22 capacity.
- 23 (c) The person's physical exertion requirements shall be determined based on the
24 following standards:
- 25 1. Sedentary work shall be work that involves lifting no more than ten (10)
26 pounds at a time and occasionally lifting or carrying articles such as
27 large files, ledgers, and small tools. Although a sedentary job primarily

1 involves sitting, occasional walking and standing may also be required
2 in the performance of duties.

3 2. Light work shall be work that involves lifting no more than twenty (20)
4 pounds at a time with frequent lifting or carrying of objects weighing up
5 to ten (10) pounds. A job shall be in this category if lifting is
6 infrequently required but walking and standing are frequently required,
7 or if the job primarily requires sitting with pushing and pulling of arm or
8 leg controls. If the person has the ability to perform substantially all of
9 these activities, the person shall be deemed capable of light work. A
10 person deemed capable of light work shall be deemed capable of
11 sedentary work unless the person has additional limitations such as the
12 loss of fine dexterity or inability to sit for long periods.

13 3. Medium work shall be work that involves lifting no more than fifty (50)
14 pounds at a time with frequent lifting or carrying of objects weighing up
15 to twenty-five (25) pounds. If the person is deemed capable of medium
16 work, the person shall be deemed capable of light and sedentary work.

17 4. Heavy work shall be work that involves lifting no more than one
18 hundred (100) pounds at a time with frequent lifting or carrying of
19 objects weighing up to fifty (50) pounds. If the person is deemed capable
20 of heavy work, the person shall also be deemed capable of medium,
21 light, and sedentary work.

22 5. Very heavy work shall be work that involves lifting objects weighing
23 more than one hundred (100) pounds at a time with frequent lifting or
24 carrying of objects weighing fifty (50) or more pounds. If the person is
25 deemed capable of very heavy work, the person shall be deemed capable
26 of heavy, medium, light, and sedentary work.

27 (5) (a) The disability retirement allowance shall be determined as provided in KRS

1 16.576, except if the member's total service credit on his last day of paid
2 employment in a regular full-time position is less than twenty (20) years,
3 service shall be added beginning with his last date of paid employment and
4 continuing to his fifty-fifth birthday. The maximum service credit added shall
5 not exceed the total service the member had on his last day of paid
6 employment, and the maximum service credit for calculating his retirement
7 allowance, including his total service and service added under this section,
8 shall not exceed twenty (20) years.

9 (b) For a member whose participation begins on or after August 1, 2004, but prior
10 to January 1, 2014, the disability retirement allowance shall be the higher of
11 twenty-five percent (25%) of the member's monthly final rate of pay or the
12 retirement allowance determined in the same manner as for retirement at his
13 normal retirement date with years of service and final compensation being
14 determined as of the date of his disability.

15 (c) For a member who begins participating on or after January 1, 2014, in the
16 hybrid cash balance plan as provided by KRS 16.583, the disability retirement
17 allowance shall be the higher of twenty-five percent (25%) of the member's
18 monthly final rate of pay or the retirement allowance determined in the same
19 manner as for retirement at his or her normal retirement date under KRS
20 16.583.

21 (6) If the member receives a satisfactory determination of total and permanent disability
22 or hazardous disability pursuant to KRS 61.665 and the disability is the direct result
23 of an act in line of duty, the member's retirement allowance shall be calculated as
24 follows:

25 (a) For the disabled member, benefits as provided in subsection (5) of this section
26 except that the monthly retirement allowance payable shall not be less than
27 twenty-five percent (25%) of the member's monthly final rate of pay; and

- 1 (b) For each dependent child of the member on his disability retirement date, who
2 is alive at the time any particular payment is due, a monthly payment equal to
3 ten percent (10%) of the disabled member's monthly final rate of pay;
4 however, total maximum dependent children's benefit shall not exceed forty
5 percent (40%) of the member's monthly final rate of pay. The payments shall
6 be payable to each dependent child, or to a legally appointed guardian or as
7 directed by the system.
- 8 (7) No benefit provided in this section shall be reduced as a result of any change in the
9 extent of disability of any retired member who is age fifty-five (55) or older.
- 10 (8) If a regular full-time officer or hazardous position member has been approved for
11 benefits under a hazardous disability, the board shall, upon request of the member,
12 permit the member to receive the hazardous disability allowance while accruing
13 benefits in a nonhazardous position, subject to proper medical review of the
14 nonhazardous position's job description by the system's medical examiner.
- 15 (9) For a member of the State Police Retirement System, in lieu of the allowance
16 provided in subsection (5) or (6) of this section, the member may be retained on the
17 regular payroll and receive the compensation authorized by KRS 16.165, if he is
18 qualified.
- 19 ➔Section 62. KRS 18A.205 is amended to read as follows:
- 20 (1) The secretary of the Finance and Administration Cabinet, upon the recommendation
21 of the secretary, may procure from one (1) or more life insurance companies,
22 authorized to do business in this state, a policy or policies of group life insurance
23 insuring the lives of all or any class or classes of state employees. The policy or
24 policies shall be approved by the commissioner of insurance and may contain such
25 provisions as the commissioner of insurance approves whether or not otherwise
26 permitted by the insurance laws. It is intended that life insurance may be made
27 available for state employees, except that the procuring is permissive.

1 (2) The term "state employee," for purposes of KRS 18A.205 to 18A.215, shall mean a
 2 person who is regularly employed by any department, board, agency, or branch of
 3 state government, and who is also:

4 (a) A contributing member of any one (1) of the state-administered retirement
 5 systems; or

6 (b) A retiree of a state-administered retirement system who is employed in a
 7 regular full-time position for purposes of retirement coverage, but who is not
 8 eligible to contribute to one (1) of the systems administered by Kentucky
 9 Retirement Systems pursuant to KRS 61.637(17) or to the *County Employees*
 10 *Retirement System pursuant to subsection (4) of Section 42 of this Act.*

11 Notwithstanding the definition of "state employee" in this subsection, any federally
 12 funded time-limited employee may receive insurance coverage.

13 (3) The term "premiums," for the purposes of KRS 18A.205 to 18A.225, shall mean
 14 premiums to be paid on any type of insurance authorized under KRS 18A.205 to
 15 18A.225.

16 ➔Section 63. KRS 18A.225 is amended to read as follows:

17 (1) (a) The term "employee" for purposes of this section means:

18 1. Any person, including an elected public official, who is regularly
 19 employed by any department, office, board, agency, or branch of state
 20 government; or by a public postsecondary educational institution; or by
 21 any city, urban-county, charter county, county, or consolidated local
 22 government, whose legislative body has opted to participate in the state-
 23 sponsored health insurance program pursuant to KRS 79.080; and who
 24 is either a contributing member to any one (1) of the retirement systems
 25 administered by the state, including but not limited to the Kentucky
 26 Retirement Systems, *County Employees Retirement System,* Kentucky
 27 Teachers' Retirement System, the Legislators' Retirement Plan, or the

- 1 Judicial Retirement Plan; or is receiving a contractual contribution from
2 the state toward a retirement plan; or, in the case of a public
3 postsecondary education institution, is an individual participating in an
4 optional retirement plan authorized by KRS 161.567;
- 5 2. Any certified or classified employee of a local board of education;
- 6 3. Any elected member of a local board of education;
- 7 4. Any person who is a present or future recipient of a retirement
8 allowance from the Kentucky Retirement Systems, County Employees
9 Retirement System, Kentucky Teachers' Retirement System, the
10 Legislators' Retirement Plan, the Judicial Retirement Plan, or the
11 Kentucky Community and Technical College System's optional
12 retirement plan authorized by KRS 161.567, except that a person who is
13 receiving a retirement allowance and who is age sixty-five (65) or older
14 shall not be included, with the exception of persons covered under KRS
15 61.702(4)(c) or subsection (2)(b)3. of Section 40 of this Act, unless he
16 or she is actively employed pursuant to subparagraph 1. of this
17 paragraph; and
- 18 5. Any eligible dependents and beneficiaries of participating employees
19 and retirees who are entitled to participate in the state-sponsored health
20 insurance program;
- 21 (b) The term "health benefit plan" for the purposes of this section means a health
22 benefit plan as defined in KRS 304.17A-005;
- 23 (c) The term "insurer" for the purposes of this section means an insurer as defined
24 in KRS 304.17A-005; and
- 25 (d) The term "managed care plan" for the purposes of this section means a
26 managed care plan as defined in KRS 304.17A-500.
- 27 (2) (a) The secretary of the Finance and Administration Cabinet, upon the

1 recommendation of the secretary of the Personnel Cabinet, shall procure, in
2 compliance with the provisions of KRS 45A.080, 45A.085, and 45A.090,
3 from one (1) or more insurers authorized to do business in this state, a group
4 health benefit plan that may include but not be limited to health maintenance
5 organization (HMO), preferred provider organization (PPO), point of service
6 (POS), and exclusive provider organization (EPO) benefit plans encompassing
7 all or any class or classes of employees. With the exception of employers
8 governed by the provisions of KRS Chapters 16, 18A, and 151B, all
9 employers of any class of employees or former employees shall enter into a
10 contract with the Personnel Cabinet prior to including that group in the state
11 health insurance group. The contracts shall include but not be limited to
12 designating the entity responsible for filing any federal forms, adoption of
13 policies required for proper plan administration, acceptance of the contractual
14 provisions with health insurance carriers or third-party administrators, and
15 adoption of the payment and reimbursement methods necessary for efficient
16 administration of the health insurance program. Health insurance coverage
17 provided to state employees under this section shall, at a minimum, contain
18 the same benefits as provided under Kentucky Kare Standard as of January 1,
19 1994, and shall include a mail-order drug option as provided in subsection
20 (13) of this section. All employees and other persons for whom the health care
21 coverage is provided or made available shall annually be given an option to
22 elect health care coverage through a self-funded plan offered by the
23 Commonwealth or, if a self-funded plan is not available, from a list of
24 coverage options determined by the competitive bid process under the
25 provisions of KRS 45A.080, 45A.085, and 45A.090 and made available
26 during annual open enrollment.

27 (b) The policy or policies shall be approved by the commissioner of insurance and

1 may contain the provisions the commissioner of insurance approves, whether
2 or not otherwise permitted by the insurance laws.

3 (c) Any carrier bidding to offer health care coverage to employees shall agree to
4 provide coverage to all members of the state group, including active
5 employees and retirees and their eligible covered dependents and
6 beneficiaries, within the county or counties specified in its bid. Except as
7 provided in subsection (20) of this section, any carrier bidding to offer health
8 care coverage to employees shall also agree to rate all employees as a single
9 entity, except for those retirees whose former employers insure their active
10 employees outside the state-sponsored health insurance program.

11 (d) Any carrier bidding to offer health care coverage to employees shall agree to
12 provide enrollment, claims, and utilization data to the Commonwealth in a
13 format specified by the Personnel Cabinet with the understanding that the data
14 shall be owned by the Commonwealth; to provide data in an electronic form
15 and within a time frame specified by the Personnel Cabinet; and to be subject
16 to penalties for noncompliance with data reporting requirements as specified
17 by the Personnel Cabinet. The Personnel Cabinet shall take strict precautions
18 to protect the confidentiality of each individual employee; however,
19 confidentiality assertions shall not relieve a carrier from the requirement of
20 providing stipulated data to the Commonwealth.

21 (e) The Personnel Cabinet shall develop the necessary techniques and capabilities
22 for timely analysis of data received from carriers and, to the extent possible,
23 provide in the request-for-proposal specifics relating to data requirements,
24 electronic reporting, and penalties for noncompliance. The Commonwealth
25 shall own the enrollment, claims, and utilization data provided by each carrier
26 and shall develop methods to protect the confidentiality of the individual. The
27 Personnel Cabinet shall include in the October annual report submitted

1 pursuant to the provisions of KRS 18A.226 to the Governor, the General
2 Assembly, and the Chief Justice of the Supreme Court, an analysis of the
3 financial stability of the program, which shall include but not be limited to
4 loss ratios, methods of risk adjustment, measurements of carrier quality of
5 service, prescription coverage and cost management, and statutorily required
6 mandates. If state self-insurance was available as a carrier option, the report
7 also shall provide a detailed financial analysis of the self-insurance fund
8 including but not limited to loss ratios, reserves, and reinsurance agreements.

9 (f) If any agency participating in the state-sponsored employee health insurance
10 program for its active employees terminates participation and there is a state
11 appropriation for the employer's contribution for active employees' health
12 insurance coverage, then neither the agency nor the employees shall receive
13 the state-funded contribution after termination from the state-sponsored
14 employee health insurance program.

15 (g) Any funds in flexible spending accounts that remain after all reimbursements
16 have been processed shall be transferred to the credit of the state-sponsored
17 health insurance plan's appropriation account.

18 (h) Each entity participating in the state-sponsored health insurance program shall
19 provide an amount at least equal to the state contribution rate for the employer
20 portion of the health insurance premium. For any participating entity that used
21 the state payroll system, the employer contribution amount shall be equal to
22 but not greater than the state contribution rate.

23 (3) The premiums may be paid by the policyholder:

24 (a) Wholly from funds contributed by the employee, by payroll deduction or
25 otherwise;

26 (b) Wholly from funds contributed by any department, board, agency, public
27 postsecondary education institution, or branch of state, city, urban-county,

- 1 charter county, county, or consolidated local government; or
- 2 (c) Partly from each, except that any premium due for health care coverage or
3 dental coverage, if any, in excess of the premium amount contributed by any
4 department, board, agency, postsecondary education institution, or branch of
5 state, city, urban-county, charter county, county, or consolidated local
6 government for any other health care coverage shall be paid by the employee.
- 7 (4) If an employee moves his place of residence or employment out of the service area
8 of an insurer offering a managed health care plan, under which he has elected
9 coverage, into either the service area of another managed health care plan or into an
10 area of the Commonwealth not within a managed health care plan service area, the
11 employee shall be given an option, at the time of the move or transfer, to change his
12 or her coverage to another health benefit plan.
- 13 (5) No payment of premium by any department, board, agency, public postsecondary
14 educational institution, or branch of state, city, urban-county, charter county,
15 county, or consolidated local government shall constitute compensation to an
16 insured employee for the purposes of any statute fixing or limiting the
17 compensation of such an employee. Any premium or other expense incurred by any
18 department, board, agency, public postsecondary educational institution, or branch
19 of state, city, urban-county, charter county, county, or consolidated local
20 government shall be considered a proper cost of administration.
- 21 (6) The policy or policies may contain the provisions with respect to the class or classes
22 of employees covered, amounts of insurance or coverage for designated classes or
23 groups of employees, policy options, terms of eligibility, and continuation of
24 insurance or coverage after retirement.
- 25 (7) Group rates under this section shall be made available to the disabled child of an
26 employee regardless of the child's age if the entire premium for the disabled child's
27 coverage is paid by the state employee. A child shall be considered disabled if he

- 1 has been determined to be eligible for federal Social Security disability benefits.
- 2 (8) The health care contract or contracts for employees shall be entered into for a period
3 of not less than one (1) year.
- 4 (9) The secretary shall appoint thirty-two (32) persons to an Advisory Committee of
5 State Health Insurance Subscribers to advise the secretary or his designee regarding
6 the state-sponsored health insurance program for employees. The secretary shall
7 appoint, from a list of names submitted by appointing authorities, members
8 representing school districts from each of the seven (7) Supreme Court districts,
9 members representing state government from each of the seven (7) Supreme Court
10 districts, two (2) members representing retirees under age sixty-five (65), one (1)
11 member representing local health departments, two (2) members representing the
12 Kentucky Teachers' Retirement System, and three (3) members at large. The
13 secretary shall also appoint two (2) members from a list of five (5) names submitted
14 by the Kentucky Education Association, two (2) members from a list of five (5)
15 names submitted by the largest state employee organization of nonschool state
16 employees, two (2) members from a list of five (5) names submitted by the
17 Kentucky Association of Counties, two (2) members from a list of five (5) names
18 submitted by the Kentucky League of Cities, and two (2) members from a list of
19 names consisting of five (5) names submitted by each state employee organization
20 that has two thousand (2,000) or more members on state payroll deduction. The
21 advisory committee shall be appointed in January of each year and shall meet
22 quarterly.
- 23 (10) Notwithstanding any other provision of law to the contrary, the policy or policies
24 provided to employees pursuant to this section shall not provide coverage for
25 obtaining or performing an abortion, nor shall any state funds be used for the
26 purpose of obtaining or performing an abortion on behalf of employees or their
27 dependents.

- 1 (11) Interruption of an established treatment regime with maintenance drugs shall be
2 grounds for an insured to appeal a formulary change through the established appeal
3 procedures approved by the Department of Insurance, if the physician supervising
4 the treatment certifies that the change is not in the best interests of the patient.
- 5 (12) Any employee who is eligible for and elects to participate in the state health
6 insurance program as a retiree, or the spouse or beneficiary of a retiree, under any
7 one (1) of the state-sponsored retirement systems shall not be eligible to receive the
8 state health insurance contribution toward health care coverage as a result of any
9 other employment for which there is a public employer contribution. This does not
10 preclude a retiree and an active employee spouse from using both contributions to
11 the extent needed for purchase of one (1) state sponsored health insurance policy for
12 that plan year.
- 13 (13) (a) The policies of health insurance coverage procured under subsection (2) of
14 this section shall include a mail-order drug option for maintenance drugs for
15 state employees. Maintenance drugs may be dispensed by mail order in
16 accordance with Kentucky law.
- 17 (b) A health insurer shall not discriminate against any retail pharmacy located
18 within the geographic coverage area of the health benefit plan and that meets
19 the terms and conditions for participation established by the insurer, including
20 price, dispensing fee, and copay requirements of a mail-order option. The
21 retail pharmacy shall not be required to dispense by mail.
- 22 (c) The mail-order option shall not permit the dispensing of a controlled
23 substance classified in Schedule II.
- 24 (14) The policy or policies provided to state employees or their dependents pursuant to
25 this section shall provide coverage for obtaining a hearing aid and acquiring hearing
26 aid-related services for insured individuals under eighteen (18) years of age, subject
27 to a cap of one thousand four hundred dollars (\$1,400) every thirty-six (36) months

- 1 pursuant to KRS 304.17A-132.
- 2 (15) Any policy provided to state employees or their dependents pursuant to this section
3 shall provide coverage for the diagnosis and treatment of autism spectrum disorders
4 consistent with KRS 304.17A-142.
- 5 (16) Any policy provided to state employees or their dependents pursuant to this section
6 shall provide coverage for obtaining amino acid-based elemental formula pursuant
7 to KRS 304.17A-258.
- 8 (17) If a state employee's residence and place of employment are in the same county, and
9 if the hospital located within that county does not offer surgical services, intensive
10 care services, obstetrical services, level II neonatal services, diagnostic cardiac
11 catheterization services, and magnetic resonance imaging services, the employee
12 may select a plan available in a contiguous county that does provide those services,
13 and the state contribution for the plan shall be the amount available in the county
14 where the plan selected is located.
- 15 (18) If a state employee's residence and place of employment are each located in counties
16 in which the hospitals do not offer surgical services, intensive care services,
17 obstetrical services, level II neonatal services, diagnostic cardiac catheterization
18 services, and magnetic resonance imaging services, the employee may select a plan
19 available in a county contiguous to the county of residence that does provide those
20 services, and the state contribution for the plan shall be the amount available in the
21 county where the plan selected is located.
- 22 (19) The Personnel Cabinet is encouraged to study whether it is fair and reasonable and
23 in the best interests of the state group to allow any carrier bidding to offer health
24 care coverage under this section to submit bids that may vary county by county or
25 by larger geographic areas.
- 26 (20) Notwithstanding any other provision of this section, the bid for proposals for health
27 insurance coverage for calendar year 2004 shall include a bid scenario that reflects

1 the statewide rating structure provided in calendar year 2003 and a bid scenario that
2 allows for a regional rating structure that allows carriers to submit bids that may
3 vary by region for a given product offering as described in this subsection:

- 4 (a) The regional rating bid scenario shall not include a request for bid on a
5 statewide option;
- 6 (b) The Personnel Cabinet shall divide the state into geographical regions which
7 shall be the same as the partnership regions designated by the Department for
8 Medicaid Services for purposes of the Kentucky Health Care Partnership
9 Program established pursuant to 907 KAR 1:705;
- 10 (c) The request for proposal shall require a carrier's bid to include every county
11 within the region or regions for which the bid is submitted and include but not
12 be restricted to a preferred provider organization (PPO) option;
- 13 (d) If the Personnel Cabinet accepts a carrier's bid, the cabinet shall award the
14 carrier all of the counties included in its bid within the region. If the Personnel
15 Cabinet deems the bids submitted in accordance with this subsection to be in
16 the best interests of state employees in a region, the cabinet may award the
17 contract for that region to no more than two (2) carriers; and
- 18 (e) Nothing in this subsection shall prohibit the Personnel Cabinet from including
19 other requirements or criteria in the request for proposal.

20 (21) Any fully insured health benefit plan or self-insured plan issued or renewed on or
21 after July 12, 2006, to public employees pursuant to this section which provides
22 coverage for services rendered by a physician or osteopath duly licensed under KRS
23 Chapter 311 that are within the scope of practice of an optometrist duly licensed
24 under the provisions of KRS Chapter 320 shall provide the same payment of
25 coverage to optometrists as allowed for those services rendered by physicians or
26 osteopaths.

27 (22) Any fully insured health benefit plan or self-insured plan issued or renewed on or

1 after July 12, 2006, to public employees pursuant to this section shall comply with
2 the provisions of KRS 304.17A-270 and 304.17A-525.

3 (23) Any full insured health benefit plan or self insured plan issued or renewed on or
4 after July 12, 2006, to public employees shall comply with KRS 304.17A-600 to
5 304.17A-633 pertaining to utilization review, KRS 205.593 and 304.17A-700 to
6 304.17A-730 pertaining to payment of claims, KRS 304.14-135 pertaining to
7 uniform health insurance claim forms, KRS 304.17A-580 and 304.17A-641
8 pertaining to emergency medical care, KRS 304.99-123, and any administrative
9 regulations promulgated thereunder.

10 ➔Section 64. KRS 61.510 is amended to read as follows:

11 As used in KRS 61.510 to 61.705, unless the context otherwise requires:

12 (1) "System" means the Kentucky Employees Retirement System created by KRS
13 61.510 to 61.705;

14 (2) "Board" means the board of trustees of the system as provided in KRS 61.645;

15 (3) "Department" means any state department or board or agency participating in the
16 system in accordance with appropriate executive order, as provided in KRS 61.520.

17 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the
18 General Assembly and any other body, entity, or instrumentality designated by
19 executive order by the Governor, shall be deemed to be a department,
20 notwithstanding whether said body, entity, or instrumentality is an integral part of
21 state government;

22 (4) "Examiner" means the medical examiners as provided in KRS 61.665;

23 (5) "Employee" means the members, officers, and employees of the General Assembly
24 and every regular full-time, appointed or elective officer or employee of a
25 participating department, including the Department of Military Affairs. The term
26 does not include persons engaged as independent contractors, seasonal, emergency,
27 temporary, interim, and part-time workers. In case of any doubt, the board shall

- 1 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 2 (6) "Employer" means a department or any authority of a department having the power
3 to appoint or select an employee in the department, including the Senate and the
4 House of Representatives, or any other entity, the employees of which are eligible
5 for membership in the system pursuant to KRS 61.525;
- 6 (7) "State" means the Commonwealth of Kentucky;
- 7 (8) "Member" means any employee who is included in the membership of the system or
8 any former employee whose membership has not been terminated under KRS
9 61.535;
- 10 (9) "Service" means the total of current service and prior service as defined in this
11 section;
- 12 (10) "Current service" means the number of years and months of employment as an
13 employee, on and after July 1, 1956, except that for members, officers, and
14 employees of the General Assembly this date shall be January 1, 1960, for which
15 creditable compensation is paid and employee contributions deducted, except as
16 otherwise provided, and each member, officer, and employee of the General
17 Assembly shall be credited with a month of current service for each month he
18 serves in the position;
- 19 (11) "Prior service" means the number of years and completed months, expressed as a
20 fraction of a year, of employment as an employee, prior to July 1, 1956, for which
21 creditable compensation was paid; except that for members, officers, and employees
22 of the General Assembly, this date shall be January 1, 1960. An employee shall be
23 credited with one (1) month of prior service only in those months he received
24 compensation for at least one hundred (100) hours of work; provided, however, that
25 each member, officer, and employee of the General Assembly shall be credited with
26 a month of prior service for each month he served in the position prior to January 1,
27 1960. Twelve (12) months of current service in the system are required to validate

1 prior service;

2 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
3 from the compensation of a member and credited to his individual account in the
4 members' account, including employee contributions picked up after August 1,
5 1982, pursuant to KRS 61.560(4), together with interest credited on such amounts
6 and any other amounts the member shall have contributed thereto, including interest
7 credited thereon. For members who begin participating on or after September 1,
8 2008, "accumulated contributions" shall not include employee contributions that are
9 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the
10 funds established in KRS 16.510~~[, 61.515,]~~ and 78.520, as prescribed by KRS
11 61.702(2)(b);

12 (13) "Creditable compensation" means all salary, wages, tips to the extent the tips are
13 reported for income tax purposes, and fees, including payments for compensatory
14 time, paid to the employee as a result of services performed for the employer or for
15 time during which the member is on paid leave, which are includable on the
16 member's federal form W-2 wage and tax statement under the heading "wages, tips,
17 other compensation," including employee contributions picked up after August 1,
18 1982, pursuant to KRS 61.560(4). For members of the General Assembly, it shall
19 mean all amounts which are includable on the member's federal form W-2 wage and
20 tax statement under the heading "wages, tips, other compensation," including
21 employee contributions picked up after August 1, 1982, pursuant to KRS 6.505(4)
22 or 61.560(4). A lump-sum bonus, severance pay, or employer-provided payment for
23 purchase of service credit shall be included as creditable compensation but shall be
24 averaged over the employee's total service with the system in which it is recorded if
25 it is equal to or greater than one thousand dollars (\$1,000). In cases where
26 compensation includes maintenance and other perquisites, the board shall fix the
27 value of that part of the compensation not paid in money. Living allowances,

1 expense reimbursements, lump-sum payments for accrued vacation leave, and other
2 items determined by the board shall be excluded. Creditable compensation shall
3 also include amounts which are not includable in the member's gross income by
4 virtue of the member having taken a voluntary salary reduction provided for under
5 applicable provisions of the Internal Revenue Code. Creditable compensation shall
6 also include elective amounts for qualified transportation fringes paid or made
7 available on or after January 1, 2001, for calendar years on or after January 1, 2001,
8 that are not includable in the gross income of the employee by reason of 26 U.S.C.
9 sec. 132(f)(4). For employees who begin participating on or after September 1,
10 2008, creditable compensation shall not include payments for compensatory time.
11 For employees who begin participating on or after August 1, 2016, creditable
12 compensation shall exclude nominal fees paid for services as a volunteer;

13 (14) "Final compensation" of a member means:

14 (a) For a member who begins participating before September 1, 2008, who is not
15 employed in a hazardous position, as provided in KRS 61.592, the creditable
16 compensation of the member during the five (5) fiscal years he was paid at the
17 highest average monthly rate divided by the number of months of service
18 credit during that five (5) year period multiplied by twelve (12). The five (5)
19 years may be fractional and need not be consecutive. If the number of months
20 of service credit during the five (5) year period is less than forty-eight (48),
21 one (1) or more additional fiscal years shall be used;

22 (b) For a member who is not employed in a hazardous position, as provided in
23 KRS 61.592, whose effective retirement date is between August 1, 2001, and
24 January 1, 2009, and whose total service credit is at least twenty-seven (27)
25 years and whose age and years of service total at least seventy-five (75), final
26 compensation means the creditable compensation of the member during the
27 three (3) fiscal years the member was paid at the highest average monthly rate

1 divided by the number of months of service credit during that three (3) years
2 period multiplied by twelve (12). The three (3) years may be fractional and
3 need not be consecutive. If the number of months of service credit during the
4 three (3) year period is less than twenty-four (24), one (1) or more additional
5 fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the
6 funding for this paragraph shall be provided from existing funds of the
7 retirement allowance;

8 (c) For a member who begins participating before September 1, 2008, who is
9 employed in a hazardous position, as provided in KRS 61.592, the creditable
10 compensation of the member during the three (3) fiscal years he was paid at
11 the highest average monthly rate divided by the number of months of service
12 credit during that three (3) year period multiplied by twelve (12). The three (3)
13 years may be fractional and need not be consecutive. If the number of months
14 of service credit during the three (3) year period is less than twenty-four (24),
15 one (1) or more additional fiscal years shall be used;

16 (d) For a member who begins participating on or after September 1, 2008, but
17 prior to January 1, 2014, who is not employed in a hazardous position, as
18 provided in KRS 61.592, the creditable compensation of the member during
19 the five (5) complete fiscal years immediately preceding retirement divided by
20 five (5). Each fiscal year used to determine final compensation must contain
21 twelve (12) months of service credit. If the member does not have five (5)
22 complete fiscal years that each contain twelve (12) months of service credit,
23 then one (1) or more additional fiscal years shall be used; or

24 (e) For a member who begins participating on or after September 1, 2008, but
25 prior to January 1, 2014, who is employed in a hazardous position, as
26 provided in KRS 61.592, the creditable compensation of the member during
27 the three (3) complete fiscal years he was paid at the highest average monthly

- 1 rate divided by three (3). Each fiscal year used to determine final
2 compensation must contain twelve (12) months of service credit;
- 3 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
4 calculated during the twelve (12) month period immediately preceding the
5 member's effective retirement date, including employee contributions picked up
6 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the
7 system by the employer and the following equivalents shall be used to convert the
8 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
9 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
10 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
11 one (1) year;
- 12 (16) "Retirement allowance" means the retirement payments to which a member is
13 entitled;
- 14 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
15 basis of the actuarial tables that are adopted by the board. In cases of disability
16 retirement, the options authorized by KRS 61.635 shall be computed by adding ten
17 (10) years to the age of the member, unless the member has chosen the Social
18 Security adjustment option as provided for in KRS 61.635(8), in which case the
19 member's actual age shall be used. For members who began participating in the
20 system prior to January 1, 2014, no disability retirement option shall be less than the
21 same option computed under early retirement;
- 22 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless
23 otherwise provided in KRS 61.510 to 61.705;
- 24 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
25 following June 30, which shall also be the plan year. The "fiscal year" shall be the
26 limitation year used to determine contribution and benefit limits as established by
27 26 U.S.C. sec. 415;

- 1 (20) "Officers and employees of the General Assembly" means the occupants of those
2 positions enumerated in KRS 6.150. The term shall also apply to assistants who
3 were employed by the General Assembly for at least one (1) regular legislative
4 session prior to July 13, 2004, who elect to participate in the retirement system, and
5 who serve for at least six (6) regular legislative sessions. Assistants hired after July
6 13, 2004, shall be designated as interim employees;
- 7 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean
8 all positions that average one hundred (100) or more hours per month determined by
9 using the number of months actually worked within a calendar or fiscal year,
10 including all positions except:
- 11 (a) Seasonal positions, which although temporary in duration, are positions which
12 coincide in duration with a particular season or seasons of the year and which
13 may recur regularly from year to year, the period of time shall not exceed nine
14 (9) months;
 - 15 (b) Emergency positions which are positions which do not exceed thirty (30)
16 working days and are nonrenewable;
 - 17 (c) Temporary positions which are positions of employment with a participating
18 department for a period of time not to exceed nine (9) months;
 - 19 (d) Part-time positions which are positions which may be permanent in duration,
20 but which require less than a calendar or fiscal year average of one hundred
21 (100) hours of work per month, determined by using the number of months
22 actually worked within a calendar or fiscal year, in the performance of duty;
23 and
 - 24 (e) Interim positions which are positions established for a one-time or recurring
25 need not to exceed nine (9) months;
- 26 (22) "Delayed contribution payment" means an amount paid by an employee for
27 purchase of current service. The amount shall be determined using the same formula

1 in KRS 61.5525, and the payment shall not be picked up by the employer. A
2 delayed contribution payment shall be deposited to the member's account and
3 considered as accumulated contributions of the individual member~~[- In determining~~
4 ~~payments under this subsection, the formula found in this subsection shall prevail~~
5 ~~over the one found in KRS 212.434];~~

6 (23) "Parted employer" means a department, portion of a department, board, or agency,
7 such as Outwood Hospital and School, which previously participated in the system,
8 but due to lease or other contractual arrangement is now operated by a publicly held
9 corporation or other similar organization, and therefore is no longer participating in
10 the system. The term "parted employer" shall not include a department, board, or
11 agency that ceased participation in the system pursuant to KRS 61.522;

12 (24) "Retired member" means any former member receiving a retirement allowance or
13 any former member who has filed the necessary documents for retirement benefits
14 and is no longer contributing to the retirement system;

15 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
16 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
17 pay. The rate shall be certified by the employer;

18 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
19 the member in accordance with KRS 61.542 or 61.705 to receive any available
20 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"
21 does not mean an estate, trust, or trustee;

22 (27) "Recipient" means the retired member or the person or persons designated as
23 beneficiary by the member and drawing a retirement allowance as a result of the
24 member's death or a dependent child drawing a retirement allowance. An alternate
25 payee of a qualified domestic relations order shall not be considered a recipient,
26 except for purposes of KRS 61.623;

27 (28) "Level-percentage-of-payroll amortization method" means a method of determining

- 1 the annual amortization payment on the unfunded actuarial accrued liability as
2 expressed as a percentage of payroll over a set period of years. Under this method,
3 the percentage of payroll shall be projected to remain constant for all years
4 remaining in the set period and the unfunded actuarially accrued liability shall be
5 projected to be fully amortized at the conclusion of the set period;
- 6 (29) "Increment" means twelve (12) months of service credit which are purchased. The
7 twelve (12) months need not be consecutive. The final increment may be less than
8 twelve (12) months;
- 9 (30) "Person" means a natural person;
- 10 (31) "Retirement office" means the Kentucky Retirement Systems office building in
11 Frankfort;
- 12 (32) "Last day of paid employment" means the last date employer and employee
13 contributions are required to be reported in accordance with KRS 16.543 ~~or~~
14 61.543~~, or 78.615~~ to the retirement office in order for the employee to receive
15 current service credit for the month. Last day of paid employment does not mean a
16 date the employee receives payment for accrued leave, whether by lump sum or
17 otherwise, if that date occurs twenty-four (24) or more months after previous
18 contributions;
- 19 (33) "Objective medical evidence" means reports of examinations or treatments; medical
20 signs which are anatomical, physiological, or psychological abnormalities that can
21 be observed; psychiatric signs which are medically demonstrable phenomena
22 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
23 or contact with reality; or laboratory findings which are anatomical, physiological,
24 or psychological phenomena that can be shown by medically acceptable laboratory
25 diagnostic techniques, including but not limited to chemical tests,
26 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 27 (34) "Participating" means an employee is currently earning service credit in the system

- 1 as provided in KRS 61.543;
- 2 (35) "Month" means a calendar month;
- 3 (36) "Membership date" means:
- 4 (a) The date upon which the member began participating in the system as
- 5 provided in KRS 61.543; or
- 6 (b) For a member electing to participate in the system pursuant to KRS
- 7 196.167(4) who has not previously participated in the system or the Kentucky
- 8 Teachers' Retirement System, the date the member began participating in a
- 9 defined contribution plan that meets the requirements of 26 U.S.C. sec.
- 10 403(b);
- 11 (37) "Participant" means a member, as defined by subsection (8) of this section, or a
- 12 retired member, as defined by subsection (24) of this section;
- 13 (38) "Qualified domestic relations order" means any judgment, decree, or order,
- 14 including approval of a property settlement agreement, that:
- 15 (a) Is issued by a court or administrative agency; and
- 16 (b) Relates to the provision of child support, alimony payments, or marital
- 17 property rights to an alternate payee;
- 18 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
- 19 participant, who is designated to be paid retirement benefits in a qualified domestic
- 20 relations order;
- 21 (40) "Accumulated employer credit" mean the employer pay credit deposited to the
- 22 member's account and interest credited on such amounts as provided by KRS
- 23 16.583 and 61.597;
- 24 (41) "Accumulated account balance" means:
- 25 (a) For members who began participating in the system prior to January 1, 2014,
- 26 the member's accumulated contributions; or
- 27 (b) For members who began participating in the system on or after January 1,

1 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
2 the combined sum of the member's accumulated contributions and the
3 member's accumulated employer credit;

4 (42) "Volunteer" means an individual who:

5 (a) Freely and without pressure or coercion performs hours of service for an
6 employer participating in one (1) of the systems administered by Kentucky
7 Retirement Systems without receipt of compensation for services rendered,
8 except for reimbursement of actual expenses, payment of a nominal fee to
9 offset the costs of performing the voluntary services, or both; and

10 (b) If a retired member, does not become an employee, leased employee, or
11 independent contractor of the employer for which he or she is performing
12 volunteer services for a period of at least twenty-four (24) months following
13 the retired member's most recent retirement date; and

14 (43) "Nominal fee" means compensation earned for services as a volunteer that does not
15 exceed five hundred dollars (\$500) per month. Compensation earned for services as
16 a volunteer from more than one (1) participating employer during a month shall be
17 aggregated to determine whether the compensation exceeds the five hundred dollars
18 (\$500) per month maximum provided by this subsection.

19 ➔Section 65. KRS 61.522 is amended to read as follows:

20 Notwithstanding any other provision of KRS 61.510 to 61.705~~[or 78.510 to 78.852]~~ to
21 the contrary:

22 (1) For purposes of this section:

23 (a) "Active member" means a member who is participating in the system;

24 (b) "Employer" means the governing body of a department, as defined by KRS
25 61.510~~[, or a county as defined by KRS 78.510];~~

26 (c) "Employer's effective cessation date" means the last day of the system's plan
27 year in the year in which the employer has elected to cease participation in the

1 system, provided the employer has met the requirements of this section and
2 has given the Kentucky Retirement Systems sufficient notice as provided by
3 administrative regulations promulgated by the systems; and

4 (d) "Inactive member" means a member who is not participating with the system;

5 (2) Any employer participating in the Kentucky Employees Retirement System~~[-or the~~
6 ~~County Employees Retirement System]~~ on July 1, 2015, except as limited by
7 subsection (6) of this section, may:

8 (a) Voluntarily cease participation in its respective retirement system subject to
9 the requirements and restrictions of this section; or

10 (b) Be required to involuntarily cease participation in the system under the
11 provisions of this section if the board has determined the employer is no
12 longer qualified to participate in a governmental plan or has failed to comply
13 with the provisions of KRS 61.510 to 61.705~~[-or 78.510 to 78.852]~~;

14 (3) (a) If an employer desires to voluntarily cease participation in the Kentucky
15 Employees Retirement System~~[-or the County Employees Retirement System]~~
16 as provided by subsection (2)(a) of this section:

17 1. The employer shall adopt a resolution requesting to cease participation
18 in the system and shall submit the resolution to the board for its
19 approval;

20 2. The cessation of participation in the system shall apply to all employees
21 of the employer;

22 3. The employer shall pay for all administrative costs of an actuarial study
23 to be completed by the Kentucky Retirement Systems' consulting actuary
24 and for any other administrative costs for discontinuing participation in
25 the system as determined by the board and as provided by this section;

26 4. The employer shall provide an alternative retirement program for
27 employees who will no longer be covered by the system, which may

- 1 include a voluntary defined contribution plan; and
- 2 5. The employer shall pay to the system the full actuarial cost of the
- 3 benefits accrued by its current and former employees in the system as
- 4 determined separately for the pension fund and the insurance fund by the
- 5 actuarial study required by subparagraph 3. of this paragraph. The full
- 6 actuarial cost shall not include any employee who seeks a refund of his
- 7 or her account balance within sixty (60) days of the employer's effective
- 8 cessation date. An employee's election to receive a refund of his or her
- 9 account balance within sixty (60) days of the employer's effective
- 10 cessation date is an irrevocable waiver of the right to obtain service
- 11 credits for the time worked for the employer ceasing participation. The
- 12 full actuarial cost may be paid by lump-sum payment or in installment
- 13 payments to the system. The actuarial cost shall be fixed, and the
- 14 employer shall not be subject to any increases or subsequent
- 15 adjustments, once the lump sum is paid or the first installment payment
- 16 is made. If the employer elects to pay the full actuarial cost in
- 17 installment payments, the employer shall, as determined by the board:
- 18 a. Pay installment payments over a time period determined by the
- 19 board, not to exceed twenty (20) years;
- 20 b. Be charged interest over the life of the installment period, at the
- 21 actuarially assumed rate of return; and
- 22 c. Provide adequate security in any relevant real estate, chattel paper,
- 23 deposit accounts, documents, goods covered by documents,
- 24 instruments, investment property, letters of credit rights, and
- 25 money. In order to ensure security provided is adequate:
- 26 i. A detailed financing statement shall be provided to the
- 27 Kentucky Retirement Systems board listing all assets to be

1 used as security and the value certified by a licensed
2 attorney;

3 ii. Security interest shall be a perfected interest in accordance
4 with provisions set forth in KRS Chapter 355 and subject to
5 approval of the board; and

6 iii. The perfected security interest shall attach until the amount
7 owed is paid in full.

8 The board may file an action in the Franklin Circuit Court to collect
9 money owed and to attach so much of the general fund or adequate
10 security of the delinquent employer as is necessary to ensure payment of
11 any installment payments owed under this section.

12 (b) If the board determines an employer must involuntarily cease participation in
13 the system as provided by subsection (2)(b) of this section:

14 1. The cessation of participation in the system shall apply to all employees
15 of the employer;

16 2. The employer shall pay for all administrative costs of an actuarial study
17 to be completed by the Kentucky Retirement Systems' consulting actuary
18 and for any other administrative costs for discontinuing participation in
19 the system as determined by the board and as provided by this section;
20 and

21 3. The employer shall pay to the system the full actuarial cost of the
22 benefits accrued by its current and former employees in the system as
23 determined separately for the pension fund and the insurance fund by the
24 actuarial study required by subparagraph 2. of this paragraph. The full
25 actuarial cost shall not include any employee who seeks a refund of his
26 or her account balance within sixty (60) days of the employer's effective
27 cessation date. An employee's election to receive a refund of his or her

1 account balance within sixty (60) days of the employer's effective
2 cessation date is an irrevocable waiver of the right to obtain service
3 credits for the time worked for the employer ceasing participation. The
4 full actuarial cost may be paid by lump-sum payment or in installment
5 payments to the system. The actuarial cost shall be fixed, and the
6 employer shall not be subject to any increases or subsequent
7 adjustments, once the lump sum is paid or the first installment payment
8 is made. If the employer elects to pay the full actuarial cost in
9 installment payments, the employer shall, as determined by the board:

- 10 a. Pay installment payments over a time period determined by the
11 board, not to exceed twenty (20) years;
- 12 b. Be charged interest over the life of the installment period at the
13 actuarially assumed rate of return; and
- 14 c. Provide adequate security in any relevant real estate, chattel paper,
15 deposit accounts, documents, goods covered by documents,
16 instruments, investment property, letters of credit rights, and
17 money. In order to ensure security provided is adequate:
 - 18 i. A detailed financing statement shall be provided to the
19 Kentucky Retirement Systems board listing all assets to be
20 used as security and the value certified by a licensed
21 attorney;
 - 22 ii. Security interest shall be a perfected interest in accordance
23 with provisions set forth in KRS Chapter 355 and subject to
24 approval of the board; and
 - 25 iii. The perfected security interest shall attach until the amount
26 owed is paid in full.

27 The board may file an action in the Franklin Circuit Court to collect

1 money owed and to attach so much of the general fund or adequate
2 security of the delinquent employer as is necessary to ensure payment of
3 any installment payments owed under this section;

4 (4) Any employee hired on or after the employer's effective cessation date by an
5 employer who has ceased participation in the system as provided by this section
6 shall not, regardless of his or her membership date in the systems administered by
7 Kentucky Retirement Systems, be eligible to participate in the Kentucky Employees
8 Retirement System~~[or the County Employees Retirement System]~~ through the
9 employer that ceased participation for the duration of his or her employment with
10 that employer;

11 (5) If an employer has ceased participation in the system as provided by this section:

12 (a) The rights of recipients and the vested rights of inactive members accrued as
13 of the employer's effective cessation date shall not be impaired or reduced in
14 any manner as a result of the employer ceasing participation in the system; and

15 (b) Employees of the employer ceasing participation shall accrue benefits through
16 the employer's effective cessation date but shall not accrue any additional
17 benefits in the Kentucky Employees Retirement System~~[or the County~~
18 ~~Employees Retirement System]~~, including earning years of service credit
19 through the ceased employer, after the employer's effective cessation date for
20 as long as they remain employed by the employer. The day after the
21 employer's effective cessation date, each employee described by this
22 paragraph shall be considered an inactive member with respect to his or her
23 employment with the employer that ceased participation and, subject to the
24 provisions and limitations of KRS 61.510 to 61.705~~[and 78.510 to 78.852]~~,
25 shall:

26 1. Retain his or her accounts with the Kentucky Employees Retirement
27 System~~[or the County Employees Retirement System]~~ and have those

- 1 accounts credited with interest in accordance with KRS 61.510 to
2 61.705 ~~and 78.510 to 78.852~~];
- 3 2. Retain his or her vested rights in accordance with paragraph (a) of this
4 subsection;
- 5 3. Be eligible to take a refund of his or her accumulated account balance in
6 accordance with KRS 61.625 or any other available distribution if
7 eligible; and
- 8 4. Except for federal tax purposes, be treated as if his or her employment
9 terminated as of the employer's effective cessation date, unless otherwise
10 prohibited by applicable federal tax authority;
- 11 (6) ~~[(a)]~~ Kentucky Employees Retirement System employers who are county attorney
12 offices, Commonwealth's attorney offices, local and district health
13 departments governed by KRS Chapter 212, master commissioners, executive
14 branch agencies whose employees are subject to KRS 18A.005 to 18A.200,
15 state-administered retirement systems, state-supported universities and
16 community colleges, property valuation administration offices, or employers
17 in the legislative or judicial branch of Kentucky state government, shall not be
18 eligible to voluntarily discontinue participation in the Kentucky Employees
19 Retirement System unless the employer is a nonstock nonprofit corporation
20 organized under KRS Chapter 273.
- 21 ~~[(b)]~~ ~~Only the employers in the County Employees Retirement System who are a~~
22 ~~nonstock nonprofit corporation organized under KRS Chapter 273 may~~
23 ~~voluntarily cease participation in the County Employees Retirement System~~];
- 24 (7) For purposes of this section, the full actuarial cost shall be determined by the
25 Kentucky Retirement Systems' consulting actuary separately for the pension fund
26 and the insurance fund using the assumptions established by the system as of the
27 most recently completed actuarial valuation and based upon the following

1 methodology:

- 2 (a) For each fund, the systems' consulting actuary shall determine the assets at
3 market value that are held in the Kentucky Employees Retirement System ~~or~~
4 ~~the County Employees Retirement System, as applicable~~, to cover employer-
5 financed accrued liabilities. The market value of assets of each fund, to the
6 extent sufficient, will be allocated to categories in the following order:
- 7 1. Inactive member accumulated account balances;
 - 8 2. Active member accumulated account balances;
 - 9 3. Recipient liabilities;
 - 10 4. Employer-financed inactive member liabilities; and
 - 11 5. Employer-financed active member liabilities;
- 12 (b) The systems' consulting actuary shall apportion the market value of assets in
13 each fund for each category listed in paragraph (a) of this subsection to the
14 employer ceasing participation based on the employer's share of each
15 category's liabilities in the fund that are represented by the members and
16 recipients of the employer ceasing participation;
- 17 (c) The systems' consulting actuary shall determine the amount of the employer-
18 financed accrued liabilities separately for each fund for all members and
19 recipients of the employer ceasing participation; and
- 20 (d) The full actuarial cost for each fund shall be equal to the amount by which
21 paragraph (c) of this subsection exceeds paragraph (b) of this subsection;
- 22 (8) The Kentucky Retirement Systems shall promulgate administrative regulations
23 pursuant to KRS Chapter 13A to administer this section; and
- 24 (9) Any employer who voluntarily ceases participation, or who is required to
25 involuntarily cease participation as provided in this section, shall hold the
26 Commonwealth harmless from damages, attorney's fees and costs from legal claims
27 for any cause of action brought by any member or retired member of the departing

1 employer.

2 ➔Section 66. KRS 61.535 is amended to read as follows:

- 3 (1) The membership of any person in the system shall cease:
- 4 (a) Upon withdrawal of his accumulated account balance at or any time after
- 5 termination of employment, regardless of length of service;
- 6 (b) Upon disability retirement;
- 7 (c) Upon service retirement;
- 8 (d) Upon death;
- 9 (e) For persons hired prior to August 1, 2000, upon termination of employment
- 10 with prejudice; or
- 11 (f) For persons hired on or after August 1, 2000, upon conviction of a felony
- 12 relating to the person's employment as provided in subsection (3) of this
- 13 section.
- 14 (2) For purposes of KRS 61.510 to 61.705 and, 16.505 to 16.652, ~~and 78.510 to~~
- 15 ~~78.852,~~ termination of employment with prejudice shall mean termination as the
- 16 result of conviction of the member in a court of competent jurisdiction of
- 17 embezzlement or larceny of public funds or property or malfeasance in office, or the
- 18 forcing of a member to make restitution for any funds or property criminally taken
- 19 by said member at the time of termination of employment.
- 20 (3) Notwithstanding any provision of law to the contrary, an employee hired on or after
- 21 August 1, 2000, who participates in one (1) of the retirement systems administered
- 22 by the Kentucky Retirement Systems and who is convicted, in any state or federal
- 23 court of competent jurisdiction, of a felony related to his employment shall forfeit
- 24 rights and benefits earned under the retirement system, except for the return of his
- 25 accumulated contributions and interest credited on those contributions. The
- 26 payment of retirement benefits ordered forfeited shall be stayed pending any appeal
- 27 of the conviction. If the conviction is reversed on final judgment, no retirement

1 benefit shall be forfeited. The employer shall notify the retirement system when an
2 employee is convicted under the provisions of this subsection.

3 ➔Section 67. KRS 61.540 is amended to read as follows:

4 (1) Under administrative regulations promulgated by the board, each member and each
5 employer shall have on file at the retirement office, in the form the board prescribes,
6 a statement of the facts pertaining to the member and other information the system
7 requires. Until the statement is filed, no member shall be eligible to receive any
8 benefits under KRS 61.510 to 61.705 ~~and 78.510 to 78.852~~.

9 (2) The system shall prepare and make available upon request to all members a
10 summary plan description, written in a manner that can be understood by the
11 average member or beneficiary, and sufficiently accurate and comprehensive to
12 reasonably apprise them of their rights and obligations under the provisions of KRS
13 16.505 to 16.652 and, 61.510 to 61.705 ~~and 78.510 to 78.852~~.

14 (3) The summary plan description shall include:

15 (a) The name of the retirement system, the name and address of the executive
16 director, and the name, address and title of each member of the board of
17 trustees;

18 (b) The name and address of the person designated for the service of legal
19 process;

20 (c) The system's requirements for participation and benefits;

21 (d) A description of retirement formulas for normal, early and disability
22 retirement, and survivor benefits;

23 (e) A description of the requirements for vesting of pension benefits;

24 (f) A reasonable list of circumstances which would result in disqualification,
25 ineligibility, or denial or loss of benefits;

26 (g) The sources of financing retirement benefits, and statutory requirements for
27 funding;

- 1 (h) A statement after each actuarial valuation as to whether funding requirements
2 are being met; and
- 3 (i) The procedures to be followed in presenting claims for benefits under the
4 plan, and the remedies available under the plan for the redress of claims which
5 are denied in whole or in part.
- 6 (4) The system may publish the summary plan description in the form of a
7 comprehensive pamphlet or booklet, or in the form of periodic newsletters which
8 shall incorporate all the information required in the summary plan description
9 within a period of two (2) years. Any changes in statutory requirements or
10 administrative practices which alter the provisions of the plan as described in the
11 summary plan description shall be summarized as required in subsection (2) of this
12 section and shall be made available upon request to members in the form of a
13 supplement to a comprehensive booklet, or reported in the periodic newsletter.
- 14 (5) The system shall make available upon request to retirees and beneficiaries the
15 summary plan description.

16 ➔Section 68. KRS 61.545 is amended to read as follows:

- 17 (1) The board shall determine by appropriate administrative regulations how much
18 service in any year is the equivalent of a year of service credit and how much
19 service in any calendar month is the equivalent of a month of service credit. It shall
20 not allow credit for more than one (1) year of service for all service rendered in any
21 period of twelve (12) consecutive months except as provided in KRS 61.546 and in
22 subsection (2) of this section.
- 23 (2) (a) Employees participating in one (1) of the state-administered retirement
24 systems who are or have been employed by a ~~[school board participating in~~
25 ~~the County Employees Retirement System, a]~~state-operated school under
26 KRS Chapter 167~~[, a participating community action agency,]~~ or a Kentucky
27 institution of higher education which participates in the Kentucky Employees

1 Retirement System, and who receive service credit for less than twelve (12)
2 months each year, may purchase the additional months of service credit
3 needed to total one (1) year of service credit except the amount purchased
4 shall not exceed three (3) months. The employee may purchase the service
5 credit by paying the retirement system a delayed contribution payment.
6 Employees who have service credit prior to July 1, 1992, or their employers,
7 the state-operated school under KRS Chapter 167, or the Kentucky institution
8 of higher education~~[, or the school board]~~ may purchase service credit on
9 behalf of the employee for previous years by paying the retirement system the
10 delayed contribution payment.

11 (b) The cost of service under this subsection may be paid by both the employer
12 and employee. The employer shall pay fifty percent (50%) of the cost and the
13 employee shall pay fifty percent (50%) of the cost. The payment by the
14 employer shall not be deposited to the member's account. Service credit shall
15 not be credited to the member's account until both the employer's and
16 employee's payment are received by the retirement system.

17 (c) If the employee has purchased service credit under this subsection based on
18 months reported by the employer for the fiscal year, and an audit of the
19 employee's account reduces the number of months of service credit for which
20 the employee is eligible to no fewer than nine (9) months, the employee shall
21 retain credit for the months purchased unless the employee is ineligible for
22 any service in the fiscal year. The employee shall be eligible to purchase the
23 additional months under this subsection to total one (1) year.

24 (d) This subsection shall not apply to members who begin participating in the
25 systems administered by Kentucky Retirement Systems on or after January 1,
26 2014.

27 (3) (a) An employee who is simultaneously eligible for membership in more than one

1 (1) retirement system administered by the Kentucky Retirement Systems may,
 2 at his option, choose to participate in only one (1) of those systems. The
 3 choice, once made, shall remain in effect so long as the employee is eligible
 4 for membership in more than one (1) system.

5 (b) If the employee participates in more than one (1) of the retirement systems
 6 administered by the Kentucky Retirement Systems, the employee's service
 7 credit shall be divided between each system determined by dividing the
 8 employee's creditable compensation in each system by the employee's total
 9 creditable compensation in all systems.

10 (c) If the employee earns creditable compensation in both a hazardous position, as
 11 defined by KRS 61.592, and a nonhazardous position, the employee's service
 12 credit shall be divided between the employee's hazardous and nonhazardous
 13 positions determined by dividing the employee's creditable compensation in
 14 the hazardous and nonhazardous positions by the employee's combined
 15 hazardous and nonhazardous creditable compensation.

16 ➔Section 69. KRS 61.550 is amended to read as follows:

17 When membership ceases, except in the case of retirement, the member shall thereafter
 18 lose all right to any retirement allowance or benefits under KRS 61.510 to 61.705 and ~~[,]~~
 19 16.505 to 16.652 ~~[and 78.510 to 78.852]~~ arising from service prior to the date of such
 20 cessation of membership.

21 ➔Section 70. KRS 61.552 is amended to read as follows:

22 (1) Any employee participating in one (1) of the state-administered retirement systems
 23 who has been refunded his accumulated account balance under the provisions of
 24 KRS 16.645(21) ~~[,]~~ or 61.625 ~~[, or 78.545(15)]~~, thereby losing service credit, may
 25 regain the credit by paying to the system from which he received the refund or
 26 refunds the amount or amounts refunded with interest at a rate determined by the
 27 board of the respective retirement system. The payment, including interest as

1 determined by the board, shall be deposited to the member's account and considered
2 as accumulated contributions of the individual member. The payments shall not be
3 picked up, as described in KRS 61.560(4), by the employer. Service purchased
4 under this subsection on or after January 1, 2014, shall not be used to determine the
5 member's participation date in the system.

6 (2) ~~{Any employee participating in one (1) of the retirement systems administered by
7 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
8 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
9 (65) in the systems administered by the Kentucky Retirement Systems, and who did
10 not elect membership in the County Employees Retirement System, as provided in
11 KRS 78.540(2), may obtain credit in the County Employees Retirement System for
12 prior service and for current service by paying to the County Employees Retirement
13 System a delayed contribution payment for the service he would have received had
14 he elected membership. The delayed contribution payment shall not be picked up, as
15 described in KRS 61.560(4), by the employer. Payment may be by lump sum or the
16 employee may pay by increments.~~

17 (3) Any employee participating in one (1) of the retirement systems administered by
18 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
19 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
20 (65) in the systems administered by the Kentucky Retirement Systems, and who did
21 not elect membership in the Kentucky Employees Retirement System, as provided
22 in KRS 61.525(2), may obtain credit in the Kentucky Employees Retirement System
23 for prior service and for current service by paying to the system a delayed
24 contribution payment for the service he would have received had he elected
25 membership. The delayed contribution payment shall not be picked up, as described
26 in KRS 61.560(4), by the employer. Payment may be by lump sum or the employee
27 may pay by increments.

1 ~~(3)~~~~(4)~~ An employee participating in one (1) of the retirement systems administered
2 by Kentucky Retirement Systems, who has at least forty-eight (48) months of
3 service if age sixty-five (65) or at least sixty (60) months of service if under age
4 sixty-five (65) in the systems administered by the Kentucky Retirement Systems,
5 may obtain credit in the Kentucky Employees Retirement System for current service
6 between July 1, 1956, and the effective date of participation of his department by
7 paying to the system a delayed contribution payment for the service he would have
8 received had his department participated on July 1, 1956. The delayed contribution
9 payment shall not be picked up, as described in KRS 61.560(4), by the employer.
10 Payment may be by lump sum or the employee may pay by increments.

11 ~~(4)~~ ~~{(5) (a) An employee participating in one (1) of the retirement systems~~
12 ~~administered by Kentucky Retirement Systems, who has at least forty eight~~
13 ~~(48) months of service if age sixty five (65) or at least sixty (60) months of~~
14 ~~service if under age sixty five (65) in the systems administered by the~~
15 ~~Kentucky Retirement Systems, may obtain credit in the County Employees~~
16 ~~Retirement System for current service between July 1, 1958, and the effective~~
17 ~~date of participation of his county by paying to the County Employees~~
18 ~~Retirement System a delayed contribution payment for the service he would~~
19 ~~have received had his county participated on July 1, 1958. The delayed~~
20 ~~contribution payment shall not be picked up, as described in KRS 61.560(4),~~
21 ~~by the employer.~~

22 ~~(b) —~~ An employee participating in one (1) of the retirement systems administered
23 by Kentucky Retirement Systems, who has at least forty-eight (48) months of
24 service if age sixty-five (65) or at least sixty (60) months of service if under
25 age sixty-five (65) in the systems administered by Kentucky Retirement
26 Systems may obtain credit for the period of his service with an area
27 development district created pursuant to KRS 147A.050 or with a business

1 development corporation created pursuant to KRS 155.001 to 155.230 if that
2 service was not covered by a state-administered retirement system. The
3 member shall pay to the retirement system in which he participates a delayed
4 contribution payment, as determined by the board's actuary. The employee
5 may obtain credit for employment with a business development corporation
6 only if the Kentucky Retirement Systems receives a favorable private letter
7 ruling from the United States Internal Revenue Service or a favorable opinion
8 letter from the United States Department of Labor. Payment may be by lump
9 sum or the employee may pay by increments.

10 ~~(5)~~~~(6)~~ After August 1, 2000, service credit obtained under the subsections of this
11 section which do not require the employee to have a minimum number of years of
12 service credit to be eligible to make a purchase shall be disallowed and the
13 recontribution of refund, including interest as determined by the board or other
14 payment, if any, shall be paid to the member if the member does not obtain for
15 service performed six (6) months' additional current service credit in one (1) of the
16 state-administered retirement systems. The service requirement shall be waived if
17 the member dies or becomes disabled as provided for by KRS 16.582 or 61.600.

18 ~~(6)~~~~(7)~~ The members shall not receive benefit of service for the same period of time
19 in another public defined benefit retirement fund, **including non-qualified service**
20 **purchased in another state-administered retirement system;**

21 ~~(7)~~~~(8)~~ Any employee participating in one (1) of the retirement systems administered
22 by Kentucky Retirement Systems who has at least forty-eight (48) months' service if
23 age sixty-five (65) or at least sixty (60) months' service if under age sixty-five (65)
24 in the retirement systems administered by the Kentucky Retirement Systems, who
25 formerly worked for a state university in a position which would have qualified as a
26 regular full-time position had the university been a participating department, and
27 who did not participate in a defined benefit retirement program at the university

1 may obtain credit in the employee's account in the ~~{County Employees Retirement~~
2 ~~System, the }Kentucky Employees Retirement System[,]~~ or the State Police
3 Retirement System for prior and current service by paying either retirement system
4 a delayed contribution payment for the service he would have received had his
5 period of university employment been covered by the ~~{County Employees,~~
6 ~~}Kentucky Employees Retirement System[,]~~ or State Police Retirement System. The
7 delayed contribution payment shall not be picked up, as described in KRS
8 61.560(4), by the employer. Payment may be by lump sum, or the employee may
9 pay by increments.

10 ~~(8)(9)~~ (a) ~~{Effective August 1, 1980, any county participating in the County~~
11 ~~Employees Retirement System may purchase current service, between July 1,~~
12 ~~1958, and participation date of the county, for present employees of the county~~
13 ~~who have obtained coverage under KRS 78.540(2);~~

14 ~~(b)~~ ~~{Effective July 1, 1973, any department participating in the Kentucky~~
15 ~~Employees Retirement System may purchase current service between July 1,~~
16 ~~1956, and participation date of the department, for present employees of the~~
17 ~~department who were employees on the participation date of the department~~
18 ~~and elected coverage under KRS 61.525(2);~~

19 ~~(b)(c)~~ Cost of the service credit purchased under this subsection shall be
20 determined by computing the discounted value of the additional service credit
21 based on an actuarial formula recommended by the board's consulting actuary
22 and approved by the board. A department shall make payment for the service
23 credit within the same fiscal year in which the option is elected~~[- The county~~
24 ~~shall establish a payment schedule subject to approval by the board for~~
25 ~~payment of the service credit. The maximum period allowed in a payment~~
26 ~~schedule shall be ten (10) years with interest at the rate actuarially assumed by~~
27 ~~the board; however, a shorter period is desirable and the board may approve~~

1 ~~any schedule provided it is not longer than a ten (10) year period~~;

2 ~~(c)~~~~(d)~~ If a ~~county or~~ department elects the provisions of this subsection, any
3 present employee who would be eligible to receive service credit under the
4 provisions of this subsection and has purchased service credit under
5 subsection ~~(3)~~~~(4)~~ ~~or~~ ~~(5)~~ of this section shall have his payment for the service
6 credit refunded with interest at the rate paid under KRS 61.575 ~~or 78.640~~;

7 ~~(d)~~~~(e)~~ Any payments made by a ~~county or~~ department under this subsection
8 shall be deposited to the retirement allowance account of the proper retirement
9 system and these funds shall not be considered accumulated contributions of
10 the individual members.

11 ~~(9)~~~~(10)~~ Interest paid by a member of the Kentucky Employees Retirement System~~,~~
12 ~~County Employees Retirement System,~~ or State Police Retirement System under
13 this section or other similar statutes under KRS 16.505 to 16.652 ~~or~~ 61.510 to
14 61.705 ~~or 78.510 to 78.852~~ prior to June 19, 1976, shall be credited to the
15 individual member's account in the appropriate retirement system and considered as
16 accumulated contributions of the member.

17 ~~(10)~~~~(11)~~ Employees who served as assistants to officers and employees of the General
18 Assembly who have at least forty-eight (48) months of service if age sixty-five (65)
19 or at least sixty (60) months of service if under age sixty-five (65) in the systems
20 administered by Kentucky Retirement Systems and who were unable to acquire
21 service under KRS 61.510(20) may purchase credit for the service performed after
22 January 1, 1960. Service credit under this section shall be obtained by the payment
23 of a delayed contribution which shall not be picked up by the employer as described
24 in KRS 61.560(4).

25 ~~(11)~~~~(12)~~ ~~(a)~~ Effective August 1, 1988, any employee participating in one (1) of the
26 retirement systems administered by Kentucky Retirement Systems who has at least
27 forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months

1 of service if under age sixty-five (65) in the systems administered by Kentucky
2 Retirement Systems may purchase service credit for interim, seasonal, emergency,
3 or temporary employment or part-time employment averaging one hundred (100) or
4 more hours of work per month on a calendar or fiscal year basis. If the average
5 number of hours of work is less than one hundred (100) per month, the member
6 shall be allowed credit only for those months he receives creditable compensation
7 for one hundred hours of work. The cost will be determined as a delayed
8 contribution payment for the period of time involved, which shall not be picked up
9 by the employer as described in KRS 61.560(4).

10 ~~[(b) Any noncertified employee of a school board who has at least forty eight (48)~~
11 ~~months of service if age sixty five (65) or at least sixty (60) months of service~~
12 ~~if under age sixty five (65) in the systems administered by Kentucky~~
13 ~~Retirement Systems may purchase service credit for part time employment~~
14 ~~prior to the 1990-91 school year which averaged eighty (80) or more hours of~~
15 ~~work per month on a calendar or fiscal year basis by paying to the County~~
16 ~~Employees Retirement System a delayed contribution payment. The delayed~~
17 ~~contribution payment shall not be picked up, as described in KRS 78.610(4),~~
18 ~~by the employer. Payment may be by lump sum or the employee may pay by~~
19 ~~increments. If the average number of hours of work is less than eighty (80) per~~
20 ~~month, the noncertified employee of a school board shall be allowed credit~~
21 ~~only for those months he receives creditable compensation for eighty (80)~~
22 ~~hours of work. The cost will be determined as a delayed contribution payment,~~
23 ~~which shall not be picked up by the employer as described in KRS 78.610(4).]~~

24 (12)~~[(13)]~~ A retired member, who is contributing to one (1) of the state-administered
25 retirement programs under the provisions of KRS 61.637(1) to (4) and purchases
26 service credit under this section in the system or systems from which he is retired,
27 shall have his retirement allowance recomputed:

1 (a) Upon termination from employment, if the member is contributing to the same
2 system or systems from which he was retired; or

3 (b) Upon completion of six (6) months' service credit as required under
4 subsection (6) of this section, if the member is contributing to a system other
5 than the system or systems from which he is retired.

6 ~~(13)~~~~(14)~~ Any employee participating in one (1) of the systems administered by
7 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
8 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
9 (65) in the systems administered by Kentucky Retirement Systems may obtain
10 credit for prior or current service for any period of approved educational leave, ~~or~~
11 ~~for agency approved leave to work for a work-related labor organization if the~~
12 ~~agency subsequently participated in the County Employees Retirement System,~~ by
13 paying to the respective retirement system a delayed contribution payment. ~~The~~
14 ~~employee may also obtain credit for agency approved leave to work for a work-~~
15 ~~related labor organization if the agency subsequently participated in the County~~
16 ~~Employees Retirement System, but only if the Kentucky Retirement Systems~~
17 ~~receives a favorable private letter ruling from the United States Internal Revenue~~
18 ~~Service or a favorable opinion letter from the United States Department of Labor.~~
19 ~~The delayed contribution payment shall not be picked up, as described in KRS~~
20 ~~61.560(4), by the employer, and shall be deposited to the individual member's~~
21 ~~account.~~

22 ~~(14)~~~~(15)~~ Any employee participating in one (1) of the retirement systems administered
23 by Kentucky Retirement Systems who has at least forty-eight (48) months of service
24 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
25 (65) in the systems administered by Kentucky Retirement Systems may obtain
26 credit for prior or current service for any period of authorized maternity leave,
27 unpaid leave authorized under the Federal Family and Medical Leave Act, or for

1 any period of authorized sick leave without pay, by paying to the respective
2 retirement system a delayed contribution payment. The delayed contribution
3 payment shall not be picked up, as described in KRS 61.560(4), by the employer,
4 and shall be deposited to the individual member's account.

5 ~~(15)~~~~(16)~~ Any employee participating in one (1) of the retirement systems administered
6 by Kentucky Retirement Systems may purchase service credit under any of the
7 provisions of KRS 16.505 to 16.652 or~~,~~ 61.510 to 61.705~~, or 78.510 to 78.852~~
8 by making installment payments in lieu of a lump-sum payment.

9 (a) The cost of the service shall be computed in the same manner as for a lump-
10 sum payment which shall be the principal; and interest, at the actuarial rate in
11 effect at the time the member elects to make the purchase compounded
12 annually, shall be added for the period that the installments are to be made.
13 Multiple service purchases may be combined under a single installment
14 purchase; however, no employee may make more than one (1) installment
15 purchase at the same time. The employee may elect to stop the installment
16 payments by notifying the retirement system; may have the installment
17 purchase recalculated to add one (1) or more additional service purchases; or
18 may pay by lump sum the remaining principal or a portion of the remaining
19 principal.

20 (b) One (1) year of installment payments shall be made for each one thousand
21 dollars (\$1,000) or any part thereof of the total cost, except that the total
22 period allowed for installments shall not be less than one (1) year and shall not
23 exceed five (5) years.

24 (c) The employee shall pay the installments by payroll deduction. Upon
25 notification by the retirement system, the employer shall report the installment
26 payments either monthly or semimonthly continuously over each twelve (12)
27 month period at the same time as, but separate from, regular employee

1 contributions on the forms or by the computer format specified by the board.
2 The payments made under this subsection shall be considered accumulated
3 contributions of the member and shall not be picked up by the employer
4 pursuant to KRS 61.560(4) and no employer contributions shall be paid on the
5 installments.

6 (d) The retirement system shall determine how much of the total cost represents
7 payment for one (1) month of the service to be purchased and shall credit one
8 (1) month of service to the member's account each time this amount has been
9 paid. The first service credited shall represent the first calendar month of the
10 service to be purchased and each succeeding month of service credit shall
11 represent the succeeding months of that service.

12 (e) If the employee elects to stop the installment payments, dies, retires, or does
13 not continue employment in a position required to participate in the retirement
14 system, the member, or in the case of death, the beneficiary, shall have sixty
15 (60) days to pay the remaining principal or a portion of the remaining
16 principal of the purchase by lump sum, except that payment by the member
17 shall be made prior to the effective retirement date. If the member or
18 beneficiary does not pay the remaining cost, the retirement system shall refund
19 to the member or the beneficiary the payment, payments, or portion of a
20 payment that does not represent a full month of service purchased.

21 (f) If the employer does not report installment payments on an employee for sixty
22 (60) days, except in the case of employees on military leave or sick leave
23 without pay, the installment purchase shall cease and the retirement system
24 shall refund to the employee the payment, payments, or portion of a payment
25 that does not represent a full month of service purchased. Installment
26 payments of employees on military leave or sick leave without pay shall be
27 suspended during the period of leave and shall resume without recalculation

1 upon the employee's return from leave.

2 (g) If payments have ceased under paragraph (e) or (f) of this subsection and the
3 member later becomes a participating employee in one (1) of the ~~two (2)~~three
4 ~~(3)~~ systems administered by Kentucky Retirement Systems, the employee
5 may complete the adjusted original installment purchase by lump sum or
6 installment payments. If the employee elects to renew the installment
7 purchase, the cost of the remaining service shall be recalculated in accordance
8 with paragraph (a) of this subsection.

9 ~~(16)~~(17) Any employee participating in one (1) of the retirement systems administered
10 by Kentucky Retirement Systems may purchase service credit under any of the
11 provisions of KRS 16.505 to 16.652 ~~or~~or 61.510 to 61.705~~, or 78.510 to 78.852~~
12 by transferring funds through a direct trustee-to-trustee transfer as permitted under
13 the applicable sections of the Internal Revenue Code and any regulations or rulings
14 issued thereunder, or through a direct rollover as contemplated by and permitted
15 under 26 U.S.C. sec. 401(a)(31) and any regulations or rulings issued thereunder.
16 Service credit may also be purchased by a rollover of funds pursuant to and
17 permitted under the rules specified in 26 U.S.C. sec. 402(c) and 26 U.S.C. sec.
18 408(d)(3). The Kentucky Retirement Systems shall accept the transfer or rollover to
19 the extent permitted under the rules specified in the applicable provisions of the
20 Internal Revenue Code and any regulations and rulings issued thereunder. The
21 amount shall be credited to the individual member's account in the appropriate
22 retirement system and shall be considered accumulated contributions of the
23 member.

24 ~~(17)~~(17) After August 1, 1998, any employee participating in one (1) of the retirement
25 systems administered by Kentucky Retirement Systems who is age sixty-five (65) or
26 older and has forty-eight (48) months of service credit or, if younger, who has sixty
27 (60) months of service credit in systems administered by Kentucky Retirement

1 Systems may purchase credit in the system in which the employee has the service
2 credit for up to ten (10) years service in a regular full-time position that was
3 credited to a state or local government-administered public defined benefit plan in
4 another state other than a defined benefit plan for teachers. The employee shall pay
5 a delayed contribution payment. Payment may be by lump sum, or the employee
6 may pay by increments. The employee may transfer funds directly from the other
7 state's plan if eligible to the extent permitted under subsection (16)~~(17)~~ of this
8 section and to the extent permitted by the other state's laws and shall provide proof
9 that he is not eligible for a retirement benefit for the period of service from the other
10 state's plan.

11 (18)~~(19)~~ After August 1, 1998, any employee participating in one (1) of the retirement
12 systems administered by Kentucky Retirement Systems, who has sixty (60) or more
13 months of service in the State Police Retirement System or in a hazardous position
14 in the Kentucky Employees Retirement System ~~or the County Employees~~
15 ~~Retirement System~~, may purchase credit in the system in which the employee has
16 the sixty (60) months of service credit for up to ten (10) years of service in a regular
17 full-time position that was credited to a defined benefit retirement plan administered
18 by a state or local government in another state, if the service could be certified as
19 hazardous pursuant to KRS 61.592. The employee shall pay a delayed contribution
20 payment. Payment may be by lump sum or by increments. The employee may
21 transfer funds directly from the other unit of government's plan if eligible to the
22 extent permitted under subsection (17) of this section and to the extent permitted by
23 the other state's laws, and the employee shall provide proof that he is not eligible for
24 a retirement benefit for the period of service from the other unit of government's
25 plan.

26 (19)~~(20)~~ Any employee participating in one (1) of the retirement systems administered
27 by Kentucky Retirement Systems who has at least forty-eight (48) months of service

1 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
2 (65) in the systems administered by Kentucky Retirement Systems and who has
3 completed service as a volunteer in the Kentucky Peace Corps, created by KRS
4 154.1-720, may purchase service credit for the time served in the corps by making
5 delayed contribution payments.

6 ~~(20)~~~~(21)~~ An employee participating in any retirement system administered by Kentucky
7 Retirement Systems who has at least forty-eight (48) months of service if age sixty-
8 five (65), or at least sixty (60) months of service if under age sixty-five (65) in the
9 systems administered by Kentucky Retirement Systems, and who was formerly
10 employed in a regional community services program for mental health and
11 individuals with an intellectual disability, organized and operated under the
12 provisions of KRS 210.370 to 210.480, which does not participate in a state-
13 administered retirement system may obtain credit for the period of his service in the
14 regional community program for mental health and individuals with an intellectual
15 disability, by paying to the state retirement system in which he participates a
16 delayed contribution payment. Payment to one (1) of the retirement systems
17 administered by the Kentucky Retirement Systems may be made by lump sum or in
18 increments.

19 ~~(21)~~~~(22)~~ An employee participating in one (1) of the retirement systems administered
20 by Kentucky Retirement Systems who has at least forty-eight (48) months of service
21 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
22 (65) in the systems administered by the Kentucky Retirement Systems, who was
23 employed by a vocational technical school in a noncertified part-time position
24 averaging eighty (80) or more hours per month, determined by using the number of
25 months actually worked within a calendar or fiscal year, may purchase service credit
26 in the Kentucky Employees Retirement System. The cost of the service shall be a
27 delayed contribution payment, which shall not be picked up by the employer as

1 described in KRS 61.560(4).

2 ~~(22)~~~~(23)~~ (a) Any person who is entitled to service credit for employment which was
3 not reported in accordance with KRS 16.543 or~~(,)~~ 61.543~~(, or 78.615)~~ may
4 obtain credit for the service by paying the employee contributions due within
5 six (6) months of notification by the system. No interest shall be added to the
6 contributions. The service credit shall not be credited to the member's account
7 until the employer contributions are received. If a retired member makes the
8 payment within six (6) months, the retired member's retirement allowance
9 shall be adjusted to reflect the added service after the employer contributions
10 are received by the retirement system.

11 (b) Any employee participating in one (1) of the state-administered retirement
12 systems who is entitled to service credit under paragraph (a) of this subsection
13 and who has not repaid the employee contributions due within six (6) months
14 of notification by the system may regain the credit after the six (6) months by
15 paying to the system the employee contributions plus interest at the actuarially
16 assumed rate from the date of initial notification under paragraph (a) of this
17 subsection. Service credit shall not be credited to the member's account until
18 the employer contributions are received by the retirement system. The
19 payments shall not be picked up, as described in KRS 61.560(4), by the
20 employer.

21 (c) Service purchased under this subsection by employees who begin participating
22 on or after September 1, 2008, shall be considered service credited under KRS
23 16.543(1) or~~(,)~~ 61.543(1)~~(, or 78.615(1))~~ for purposes of determining
24 eligibility for retirement benefits under KRS 16.505 to 16.652 or~~(,)~~ 61.510 to
25 61.705~~(, and 78.510 to 78.852)~~.

26 (d) Employees who begin participating on or after January 1, 2014, in the hybrid
27 cash balance plan provided by KRS 16.583 and 61.597 shall, upon payment of

1 the employee and employer contributions due under this subsection, have their
2 accumulated account balance increased by the employee contributions,
3 employer pay credits, and interest credits that would have been credited to
4 their member's account if the contributions had been paid on time.

5 ~~(23)~~⁽²⁴⁾ Any employee participating in one (1) of the retirement systems administered
6 by Kentucky Retirement Systems who has at least forty-eight (48) months of service
7 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
8 (65) in the systems administered by the Kentucky Retirement Systems may
9 purchase service credit for employment with a public agency that would have been
10 eligible to participate under KRS 61.520 but which did not participate in the
11 Kentucky Employees Retirement System~~[or a political subdivision that would have~~
12 ~~been eligible to participate under KRS 78.530 but which did not participate in the~~
13 ~~County Employees Retirement System]~~ if the former public agency~~[or political~~
14 ~~subdivision]~~ has merged with or been taken over by a participating department~~[or~~
15 ~~county]~~. The cost of the service shall be determined as a delayed contribution
16 payment for the respective retirement system. Payment may be made by lump sum
17 or in increments. The payment shall not be picked up, as described in KRS
18 61.560(4) ~~[or 78.610(4),]~~ by the employer.

19 ~~(24)~~⁽²⁵⁾ Any employee participating in one (1) of the retirement systems administered
20 by the Kentucky Retirement Systems prior to July 15, 2002, who has accrued at
21 least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60)
22 months of service if under age sixty-five (65) in the systems administered by the
23 Kentucky Retirement Systems and who has total service in all state-administered
24 retirement systems of at least one hundred eighty (180) months of service credit
25 may purchase a combined maximum total of five (5) years of retirement service
26 credit which is not otherwise purchasable under any of the provisions of KRS
27 16.505 to 16.652 or ~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~. The purchase price

1 for the retirement service credit shall be calculated and paid for as a delayed
2 contribution payment. The payment shall not be picked up, as described in KRS
3 16.545(4) or 61.560(4) ~~or 78.610(4)~~ by the employer, and the employee's
4 payment shall be paid into the individual member's account in the appropriate
5 retirement system and shall be considered accumulated contributions of the
6 member. Payment by the member may be by lump sum or by increments. The
7 service purchased under this subsection shall not be used in determining a
8 retirement allowance until the member has accrued at least two hundred forty (240)
9 months of service, excluding service purchased under this subsection. If the member
10 does not accrue at least two hundred forty (240) months of service, excluding
11 service purchased under this subsection, upon retirement, death, or written request
12 following termination, the payment, plus interest as provided in KRS 61.575, shall
13 be refunded.

14 ~~[(26) An employee participating in one (1) of the retirement systems administered by~~
15 ~~Kentucky Retirement Systems, who has at least forty eight (48) months of service if~~
16 ~~age sixty five (65), or at least sixty (60) months of service if under age sixty five~~
17 ~~(65), in the systems administered by Kentucky Retirement Systems, may obtain~~
18 ~~credit in the County Employees Retirement System for the period of that employee's~~
19 ~~service with a community action agency created under KRS 273.405 to 273.453 if~~
20 ~~that service was not covered by a state administered retirement system. The member~~
21 ~~shall pay to the retirement system a delayed contribution payment. Payment may be~~
22 ~~made by lump sum or in increments. The payment shall not be picked up, as~~
23 ~~described in KRS 61.560(4) or 78.610(4), by the employer.]~~

24 (25)~~[(27)]~~ The board of trustees is authorized to establish a program, subject to a
25 favorable ruling from the Internal Revenue Service, to provide for the purchase of
26 service credit under any of the provisions of KRS 16.505 to 16.552 or 61.510 to
27 61.705 ~~and 78.510 to 78.852~~, pursuant to the employer pick-up provisions in 26

1 U.S.C. sec. 414(h)(2).

2 ~~(26)~~~~(28)~~ An employee may obtain credit for regular full-time service with an agency
3 prior to August 1, 1998, for which the employee did not receive credit due to KRS
4 61.637(1), by paying a delayed contribution. The payment shall not be picked up by
5 the employer, except as provided in subsection ~~25~~~~(27)~~ of this section, and shall be
6 credited to the employee's second retirement account. Service credit obtained under
7 this subsection shall not be used in determining benefits under KRS 61.702. The
8 employee may purchase credit for service prior to August 1, 1998, if:

9 (a) The employee retired from one (1) of the retirement systems administered by
10 the Kentucky Retirement Systems and was reemployed prior to August 1,
11 1998, earning less than the maximum permissible earnings under the Federal
12 Social Security Act;

13 (b) The employee elected to participate in a second retirement account effective
14 August 1, 1998, in accordance with KRS 61.637(7); and

15 (c) The employee has at least forty-eight (48) months of service if age sixty-five
16 (65), or at least sixty (60) months of service if under age sixty-five (65), in a
17 second account in the systems administered by Kentucky Retirement Systems.

18 ~~(27)~~~~(29)~~ An employee participating in one (1) of the retirement systems administered
19 by the Kentucky Retirement Systems, who has at least forty-eight (48) months of
20 service if age sixty-five (65) or at least sixty (60) months of service if under age
21 sixty-five (65) in the systems administered by the Kentucky Retirement Systems,
22 may obtain credit for the service in a regular full-time position otherwise creditable
23 under the Kentucky Employees Retirement System~~, the County Employees~~
24 ~~Retirement System,~~ or the State Police Retirement System for service in the United
25 States government, other than service in the Armed Forces, for which service is not
26 otherwise given, by paying to the system a delayed contribution payment. Payment
27 may be made by lump sum or in increments. No payment made pursuant to this

1 section shall be picked up by the employer, as described in KRS 61.560(4).

2 ~~(28)~~~~(30)~~ An employee participating in a hazardous position in one (1) of the retirement
 3 systems administered by the Kentucky Retirement Systems, who has at least forty-
 4 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of
 5 service if under age sixty-five (65) in the systems administered by the Kentucky
 6 Retirement Systems, may obtain credit for service in a regular full-time position in
 7 an urban-county government that would qualify for hazardous duty coverage under
 8 KRS 61.592 by paying to the system a delayed contribution payment. Payment may
 9 be made by lump sum or in increments. No payment made pursuant to this section
 10 shall be picked up by the employer, as described in KRS 61.560(4).

11 ~~(29)~~~~(31)~~ Subsections (2) to ~~(4)~~~~(5)~~, ~~(7)~~~~(8)~~ to ~~(14)~~~~(15)~~, ~~(17)~~~~(18)~~ to ~~(21)~~~~(22)~~,
 12 ~~(23)~~~~(24)~~ to ~~(24)~~~~(26)~~, and ~~(26)~~~~(28)~~ to ~~(28)~~~~(30)~~ of this section shall not apply
 13 to members who begin participating in the systems administered by Kentucky
 14 Retirement Systems on or after January 1, 2014.

15 ➔Section 71. KRS 61.5525 is amended to read as follows:

16 (1) Effective July 1, 2001, purchase of service under the provisions of KRS 16.505 to
 17 16.652 ~~or~~~~,~~ 61.510 to 61.705~~, and 78.510 to 78.852~~, except as provided in
 18 subsection (2) of this section, shall be determined by multiplying the higher of the
 19 employee's current rate of pay, final rate of pay, or final compensation as of the end
 20 of the month in which the purchase is made times the actuarial factor times the
 21 number of years of service being purchased. Effective September 1, 2008, the
 22 actuarial factor used to determine the cost of purchasing service credit shall assume
 23 the earliest date the member may retire without a reduction in benefits and the cost-
 24 of-living adjustments provided to members upon retirement under KRS 61.691.

25 (2) This provision shall not apply to KRS 61.552(1) and ~~(22)~~~~(23)~~ or 61.592(3)(c).

26 (3) Service purchased on or after August 1, 2004, under the provisions of KRS 16.505
 27 to 16.652 ~~or~~~~,~~ 61.510 to 61.705~~, and 78.510 to 78.852~~, except for service

1 purchased under KRS 61.552(1) and ~~(22)~~~~(23)~~, shall not be used to determine
2 eligibility for or the amount of the monthly insurance contribution under KRS
3 61.702.

4 (4) For a member whose participation begins on or after August 1, 2004, service
5 purchased under the provisions of KRS 16.505 to 16.652 or 61.510 to 61.705,
6 ~~and 78.510 to 78.852,~~ except for service purchased under KRS 61.552(1) and
7 ~~(22)~~~~(23)~~, shall not be used to determine eligibility for a retirement allowance
8 under disability retirement, early retirement, normal retirement, or death under any
9 of the provisions of KRS 16.505 to 16.652 or 61.510 to 61.705~~, and 78.510 to~~
10 ~~78.852].~~ Purchased service shall only be used to determine the amount of the
11 retirement allowance of a member who is eligible for a retirement allowance under
12 disability, early retirement, normal retirement, or death under any of the provisions
13 of KRS 16.505 to 16.652 or 61.510 to 61.705~~, and 78.510 to 78.852],~~ based on
14 service earned as a participating employee.

15 ➔Section 72. KRS 61.555 is amended to read as follows:

16 (1) After August 1, 1998, any employee entering the Armed Forces of the United States
17 after he first participates in the system, who joins the Armed Forces within three (3)
18 months of the last day of paid employment, being on leave of absence from service
19 and not withdrawing his accumulated account balance, shall be credited for
20 retirement purposes with service credit and creditable compensation as provided in
21 38 U.S.C. sec. 4318 for his period of active military duty in the Armed Forces of the
22 United States, not to exceed six (6) years, if his discharge therefrom is honorable
23 and he returns to work with an employer participating in one (1) of the retirement
24 systems administered by the Kentucky Retirement Systems within two (2) years
25 after completion of the period of active military duty, or upon the subsequent
26 termination of any total disability which existed at the expiration of the two (2)
27 years after discharge. A member eligible for the benefit prescribed by this

1 subsection who participates in the hybrid cash balance plan as provided by KRS
2 16.583 and 61.597 shall also have his or her member account credited with
3 employee contributions, employer pay credits, and interest credits, as provided by
4 KRS 16.583 and 61.597, as though the member were employed during the member's
5 period of active military duty described by this subsection.

6 (2) After August 1, 1998, any employee who, prior to the date he first participated in
7 the system, terminated his employment with an agency participating in one (1) of
8 the systems administered by the Kentucky Retirement Systems and within three (3)
9 months entered the Armed Forces of the United States and who returns to work with
10 an employer participating in one (1) of the retirement systems administered by the
11 Kentucky Retirement Systems within two (2) years after completion of the period of
12 active military duty, or upon the subsequent termination of any total disability
13 which existed at the expiration of the two (2) years after discharge, shall be credited
14 for retirement purposes with service credit and creditable compensation as provided
15 in 38 U.S.C. sec. 4318 for his period of active military duty in the Armed Forces,
16 not to exceed six (6) years. A member eligible for the benefit prescribed by this
17 subsection who participates in the hybrid cash balance plan as provided by KRS
18 16.583 and 61.597 shall also have his or her member account credited with
19 employee contributions, employer pay credits, and interest credits, as provided by
20 KRS 16.583 and 61.597, as though the member were employed during the member's
21 period of active military duty described by this subsection.

22 (3) Any National Guard technician involuntarily serving on active military duty during
23 the period between January 26, 1968, and January 1, 1970, who completes his eight
24 (8) years' service while on military duty during this period, shall have that portion of
25 his active military duty, necessary to the completion of eight (8) years' current
26 service, credited to his account, as current service without having to meet the
27 reemployment criteria.

- 1 (4) Any employee eligible for retirement as prescribed in KRS 61.559 or any employee
2 upon completion of five (5) years of service shall receive current service credit for a
3 maximum of four (4) years for his period of active military duty in the Armed
4 Forces of the United States, if his discharge therefrom is honorable and he has not
5 been credited with the service under subsections (1) to (3) of this section if he pays
6 thirty-five percent (35%) of the cost of the service based on the formula adopted by
7 the board. The payment by the member shall not be picked up by the employer, as
8 described in KRS 61.560(4), and shall be deposited to his individual member's
9 account. The remaining sixty-five percent (65%) shall be paid by the state from
10 funds appropriated specifically for the purpose and these payments shall be
11 deposited to the respective retirement allowance accounts. If no funds are available
12 in the special appropriation account, the system shall not accept employee payments
13 until funds are available in the account.
- 14 (5) Any employee participating in one (1) of the retirement systems administered by
15 Kentucky Retirement Systems eligible to purchase military service credit under
16 subsection (4) of this section shall receive current service credit for active military
17 duty as provided under subsection (4) of this section without payment of the current
18 employee contribution ratio if the member was taken prisoner by a hostile power at
19 any time during active military service.
- 20 (6) Any employee participating in one (1) of the retirement systems administered by
21 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)
22 months of service, at least twelve (12) of which are current service, or if younger
23 who has sixty (60) months of service, at least twelve (12) of which are current
24 service shall receive current service for his period of active military duty in the
25 Armed Forces of the United States, if his discharge therefrom is not dishonorable
26 and he has not been credited with the service under subsections (1) to (4) of this
27 section, by paying the retirement system a delayed contribution payment. Payment

1 may be made by lump sum or in increments. The payment shall not be picked up by
2 the employer as described in KRS 16.545(4) or 61.560(4) ~~or 78.610(4)~~ and
3 shall be deposited in the member's individual retirement account.

4 (7) Any employee participating in one (1) of the retirement systems administered by the
5 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)
6 months of service, at least twelve (12) of which are current service, or if younger
7 who has sixty (60) months of service, at least twelve (12) of which are current
8 service, shall receive one (1) month of current service for each six (6) months of
9 service in the National Guard or the military reserves of the United States, by
10 paying the retirement system a delayed contribution payment. The service shall be
11 treated as service earned prior to participation in the system and shall not be
12 included in the member's final compensation. Payment may be made by lump sum
13 or in increments. The payment shall not be picked up by the employer, as described
14 in KRS 16.545(4) or 61.560(4) ~~or 78.610(4)~~ and shall be deposited in the
15 member's individual retirement account.

16 (8) For members who begin participating in the systems administered by Kentucky
17 Retirement Systems on or after January 1, 2014, in the hybrid cash balance plan
18 prescribed by KRS 16.583 and 61.597, the provisions of subsections (4) to (7) of
19 this section shall not apply.

20 ➔Section 73. KRS 61.559 is amended to read as follows:

21 (1) In lieu of any other benefits due under KRS 61.510 to 61.705 ~~and 78.510 to~~
22 ~~78.852~~, a member who begins participating before September 1, 2008, who has
23 attained the age of sixty-five (65) and who has obtained at least one (1) month of
24 service credit but no more than forty-seven (47) months of service may elect to
25 receive an annual retirement allowance payable monthly or less frequently, as
26 determined by the board, which shall be determined by multiplying his accumulated
27 contributions by two (2) and converting this amount to an annual retirement

1 allowance based on an annuity rate adopted by the board which would pay the
2 actuarial equivalent of twice his accumulated contributions over the lifetime of the
3 retired member.

4 (2) A member who begins participating before September 1, 2008, who is sixty-five
5 (65) years of age or older is eligible for a retirement allowance determined under
6 KRS 61.595 provided such member has forty-eight (48) months of service, at least
7 twelve (12) of which are current service, or a retirement allowance determined
8 under KRS 61.595 prior to age sixty-five (65) provided:

9 (a) The member has attained age fifty-five (55) and has service of sixty (60)
10 months at least twelve (12) of which are current service; or

11 (b) The member is a retired member of the State Police Retirement System, has
12 attained age fifty-five (55), and has service of forty-eight (48) months at least
13 twelve (12) of which are current service; or

14 (c) The member is less than age fifty-five (55) and has twenty-five (25) or more
15 years of service, at least fifteen (15) of which are current service; or

16 (d) The member has thirty (30) or more years of service at least fifteen (15) of
17 which are current service, or the member of the Kentucky Employees
18 Retirement System ~~for the County Employees Retirement System~~ has twenty-
19 seven (27) or more years of service, at least fifteen (15) of which are current
20 service; or

21 (e) The member of the Kentucky Employees Retirement System has, at least,
22 twenty-six (26) years of service credit, at least sixteen (16) of which are
23 current consecutive years of service as a cabinet secretary or administrative
24 head of one (1) of the three (3) branches of government; or

25 (f) The member has attained age fifty-five (55) and was an employee of a parted
26 employer at the time his employer became ineligible to continue participation
27 in the system, and his service in the system when added to his service with the

1 parted employer subsequent to his separation from state government equals
2 the early retirement service eligibility requirement of the system on the date
3 his employer became ineligible to continue participation in the system.

4 (3) A member who begins participating on or after September 1, 2008, but prior to
5 January 1, 2014, is eligible for a retirement allowance determined under KRS
6 61.595 if:

7 (a) The member is sixty-five (65) years of age or older and has at least five (5)
8 years of service credited under KRS 16.543(1), 61.543(1), ~~for 78.615(1)~~ or
9 another state-administered retirement system;

10 (b) The member is fifty-seven (57) years of age or older and has an age and years
11 of service total of at least eighty-seven (87) years. The years of service used to
12 determine eligibility for a retirement allowance under this paragraph shall only
13 include years of service credited under KRS 16.543(1), 61.543(1), ~~for~~
14 ~~78.615(1)~~ or another state-administered retirement system; or

15 (c) The member is sixty (60) years of age or older and has at least ten (10) years
16 of service credited under KRS 16.543(1), 61.543(1), ~~for 78.615(1)~~ or another
17 state-administered retirement system.

18 (4) Subsections (1) to (3) of this section shall not apply to members who begin
19 participating in the system on or after January 1, 2014. Members who begin
20 participating in the system on or after January 1, 2014, shall receive the retirement
21 benefits prescribed by KRS 61.597.

22 ➔Section 74. KRS 61.565 is amended to read as follows:

23 (1) (a) Each employer participating in the State Police Retirement System as
24 provided for in KRS 16.505 to 16.652~~, each employer participating in the~~
25 ~~County Employees Retirement System as provided for in KRS 78.510 to~~
26 ~~78.852,~~ and each employer participating in the Kentucky Employees
27 Retirement System as provided for in KRS 61.510 to 61.705 shall contribute

1 annually to the respective retirement system an amount equal to the percent, as
2 computed under subsection (2) of this section, of the creditable compensation
3 of its employees to be known as the "normal contributions," and an additional
4 amount to be known as the "actuarially accrued liability contribution" which
5 shall be computed by amortizing the total unfunded actuarially accrued
6 liability over a period of thirty (30) years using the level-percentage-of-payroll
7 amortization method. This method shall be used beginning with the 2007
8 actuarial valuation. The initial thirty (30) year amortization period shall begin
9 with the 2007 actuarial valuation, except as provided by paragraph (b) of this
10 subsection.

11 (b) Effective with the 2013 actuarial valuation, the amortization period for the
12 Kentucky Employees Retirement System~~[, the County Employees Retirement~~
13 ~~System,]~~ and the State Police Retirement System shall be reset to a new thirty
14 (30) year period for purposes of calculating the actuarially accrued liability
15 contribution prescribed by this subsection.

16 (c) Any significant increase in the actuarially accrued liability due to benefit
17 improvements after the 2007 valuation shall be amortized using the level-
18 percentage-of-payroll amortization method over a separate thirty (30) year
19 period commencing in the year of the actuarial valuation in which the benefit
20 improvements are first reflected.

21 (2) The normal contribution rate shall be determined by the entry age normal cost
22 funding method. The actuarially accrued liability shall be determined by actuarial
23 method consistent with the methods prescribed for determining the normal
24 contribution rate. Normal contributions and the actuarially accrued liability
25 contribution shall be determined on actuarial bases adopted by the board.

26 (3) (a) Normal contribution and the actuarially accrued liability contribution rates
27 shall be determined by the board on the basis of the annual actuarial valuation

1 last preceding the July 1 of a new biennium.

2 (b) ~~[The board may amend contribution rates as of July 1 of the second year of a~~
3 ~~biennium for the County Employees Retirement System, if it is determined on~~
4 ~~the basis of a subsequent actuarial valuation that amended contribution rates~~
5 ~~are necessary to satisfy the requirements of subsections (1) and (2) of this~~
6 ~~section.~~

7 (c) Effective for employer contribution rates payable on or after July 1, 2014, the
8 board shall not have the authority to amend contribution rates as of July 1 of
9 the second year of the biennium for the Kentucky Employees Retirement
10 System and the State Police Retirement System.

11 (4) The system shall advise each employer prior to the beginning of each biennium~~, or~~
12 ~~prior to July 1 of the second year of a biennium for employers participating in the~~
13 ~~County Employees Retirement System,~~ of any change in the employer contribution
14 rate. Based on the employer contribution rate, each employer shall include in the
15 budget sufficient funds to pay the employer contributions as determined by the
16 board under subsections (1) to (3) of this section.

17 (5) The General Assembly shall pay the full actuarially required contribution rate, as
18 prescribed by this section, to the Kentucky Employees Retirement System and the
19 State Police Retirement System in fiscal years occurring on or after July 1, 2014.

20 ~~[(6) Notwithstanding any other provision of KRS Chapter 61 to the contrary, the board~~
21 ~~shall establish employer contribution rates for the County Employees Retirement~~
22 ~~System that will phase in to the full actuarially required contribution for the health~~
23 ~~insurance fund over a ten (10) year period using the 2007-2008 fiscal year employer~~
24 ~~contribution for the health insurance fund as a base employer rate and incrementally~~
25 ~~increasing the employer rate from fiscal year 2008-2009 through fiscal year 2017-~~
26 ~~2018.]~~

27 ➔Section 75. KRS 61.590 is amended to read as follows:

- 1 (1) A member or beneficiary eligible to receive retirement benefits under any of the
2 provisions of KRS 61.510 to 61.705~~[-78.510 to 78.852,]~~ and 16.510 to 16.652 shall
3 have on file at the retirement office on the form prescribed by the board, notification
4 of retirement, giving his name, address, Social Security number, last day of
5 employment, and other information the system may require. The form entitled
6 "Notification of Retirement" shall not be filed more than six (6) months before the
7 member's effective retirement date.
- 8 (2) Within ten (10) days of the receipt of the form entitled "Notification of Retirement"
9 submitted within two (2) months of the effective date of retirement, the system shall
10 cause to be prepared an estimate of the amounts the member or beneficiary may
11 expect to receive under the various plans available to the member or beneficiary.
12 This information shall be recorded on a form entitled "Estimated Retirement
13 Allowance" and forwarded to the member or beneficiary. If the member submits a
14 form entitled "Notification of Retirement" more than two (2) months prior to the
15 effective retirement date, the system shall provide the form entitled "Estimated
16 Retirement Allowance" within forty-five (45) days of the member's effective
17 retirement date.
- 18 (3) The member or beneficiary shall file at the retirement office the form entitled
19 "Estimated Retirement Allowance" after he has checked the payment option of his
20 choice, signed the document, and had his signature witnessed. A member shall not
21 have the right to select a different payment option after the first day of the month in
22 which the member receives his or her first retirement allowance or after the
23 effective date of a deferred retirement option as provided by subsection (6) of this
24 section. A beneficiary shall not have the right to select a different payment option
25 after the effective date of the beneficiary's retirement allowance as provided in
26 subsection (7) of this section.
- 27 (4) A member or beneficiary choosing a monthly payment option shall have on file at

1 the retirement office his birth certificate or other acceptable evidence of date of
2 birth. If a survivorship option is chosen, proof of dates of birth of the beneficiary
3 and member shall be on file at the retirement office.

4 (5) (a) The effective date of normal retirement shall be the first month following the
5 month in which employment was terminated from a regular full-time position.

6 (b) The effective date of disability retirement shall be the first month following
7 the month in which the member's last day of paid employment in a regular
8 full-time position occurred, provided the member files the form entitled
9 "Estimated Retirement Allowance" no later than six (6) months following the
10 date the notification of approval for disability retirement benefits is mailed. If
11 the member fails to file the form entitled "Estimated Retirement Allowance"
12 within six (6) months of the date the notification of approval for disability
13 retirement benefits is mailed, then the member's form entitled "Notification of
14 Retirement" shall be void. The member shall be required to submit a new
15 form entitled "Notification of Retirement" to apply for disability retirement
16 and reestablish eligibility for disability retirement benefits.

17 (c) The effective date of early retirement shall be the first month following the
18 month the form entitled "Notification of Retirement" is filed at the retirement
19 office or a future month designated by the member, if employment in a regular
20 full-time position has been terminated and if the member files the form
21 entitled "Estimated Retirement Allowance" no later than six (6) months
22 following termination. If the member fails to file the form entitled "Estimated
23 Retirement Allowance" within six (6) months following the effective
24 retirement date of the member, then the member's form entitled "Notification
25 of Retirement" shall be void and the member shall be required to submit a
26 new form entitled "Notification of Retirement" to apply for early retirement.

27 (6) The effective date of a deferred retirement option as provided under KRS 16.576(5)

1 shall be the month following age sixty-five (65), or the month following written
2 notification from the member that he wishes to begin receiving retirement
3 payments. In the event of the death of a member who has deferred his retirement
4 allowance, the effective date of retirement shall be the month following the
5 member's death.

6 (7) Notwithstanding the provisions of KRS 16.578 or 61.640, the effective date of a
7 beneficiary's retirement allowance under normal, early, or disability retirement shall
8 be as prescribed in subsection (5) or (6) of this section if the member dies before the
9 first day of the month in which the member would have received his or her first
10 retirement allowance and his beneficiary becomes eligible for payments under KRS
11 16.578 or 61.640.

12 ➔Section 76. KRS 61.592 is amended to read as follows:

13 (1) (a) "Hazardous position" for employees participating in the Kentucky Employees
14 Retirement System~~, and for employees who begin participating in the County~~
15 ~~Employees Retirement System before September 1, 2008,]~~ means:

16 1. Any position whose principal duties involve active law enforcement,
17 including the positions of probation and parole officer and
18 Commonwealth detective, active fire suppression or prevention, or other
19 positions, including, but not limited to, pilots of the Transportation
20 Cabinet and paramedics and emergency medical technicians, with duties
21 that require frequent exposure to a high degree of danger or peril and
22 also require a high degree of physical conditioning;

23 2. Positions in the Department of Corrections in state correctional
24 institutions and the Kentucky Correctional Psychiatric Center with
25 duties that regularly and routinely require face-to-face contact with
26 inmates; and

27 3. Positions of employees who elect coverage under KRS 196.167(3)(b)2.

1 and who continue to provide educational services and support to inmates
2 as a Department of Corrections employee.

3 (b) ~~["Hazardous position" for employees who begin participating in the County~~
4 ~~Employees Retirement System on or after September 1, 2008, means police~~
5 ~~officers and firefighters as defined in KRS 61.315(1), paramedics, correctional~~
6 ~~officers with duties that routinely and regularly require face to face contact~~
7 ~~with inmates, and emergency medical technicians if:~~

8 1. ~~The employee's duties require frequent exposure to a high degree of~~
9 ~~danger or peril and a high degree of physical conditioning; and~~

10 2. ~~The employee's duties are not primarily clerical or administrative.~~

11 (c) ~~]~~The effective date of participation under hazardous duty coverage for
12 positions in the Department of Alcoholic Beverage Control shall be April 1,
13 1998. The employer and employee contributions shall be paid by the employer
14 and forwarded to the retirement system for the period not previously reported.

15 (2) ~~{(a)}~~ Each employer may request of the board hazardous duty coverage for those
16 positions as defined in subsection (1) of this section. Upon request, each
17 employer shall certify to the system, in the manner prescribed by the board,
18 the names of all employees working in a hazardous position as defined in
19 subsection (1) of this section for which coverage is requested. The
20 certification of the employer shall bear the approval of the agent or agency
21 responsible for the budget of the department ~~for county~~ indicating that the
22 required employer contributions have been provided for in the budget of the
23 employing department or county. The system shall determine whether the
24 employees whose names have been certified by the employer are working in
25 positions meeting the definition of a hazardous position as provided by
26 subsection (1) of this section. This process shall not be required for employees
27 who elect coverage under KRS 196.167(3)(b)2.

1 ~~[(b) Each employer desiring to provide hazardous duty coverage to employees who~~
2 ~~begin participating in the County Employees Retirement System on or after~~
3 ~~September 1, 2008, may request that the board approve hazardous duty~~
4 ~~coverage for those positions that meet the criteria set forth in subsection (1)(b)~~
5 ~~of this section. Each employer shall certify to the system, in the manner~~
6 ~~prescribed by the board, the names of all employees working in a hazardous~~
7 ~~position as defined in subsection (1)(b) of this section for which coverage is~~
8 ~~requested and a job description for each position or employee. The~~
9 ~~certification of the employer shall bear the approval of the agent or agency~~
10 ~~responsible for the budget of the department or county indicating that the~~
11 ~~required employer contributions have been provided for in the budget of the~~
12 ~~employing department or county. Each employer shall also certify, under~~
13 ~~penalty of perjury in accordance with KRS Chapter 523, that each employee's~~
14 ~~actual job duties are accurately reflected in the job description provided to the~~
15 ~~system. The system shall determine whether the employees whose names have~~
16 ~~been certified by the employer are working in positions meeting the definition~~
17 ~~of a hazardous position as defined in subsection (1)(b) of this section. The~~
18 ~~board shall have the authority to remove any employee from hazardous duty~~
19 ~~coverage if the board determines the employee is not working in a hazardous~~
20 ~~duty position or if the employee is classified in a hazardous duty position but~~
21 ~~has individual job duties that do not meet the definition of a hazardous duty~~
22 ~~position or are not accurately reflected in the job descriptions filed by the~~
23 ~~employer with the system.]~~

24 (3) (a) An employee who elects coverage under KRS 196.167(3)(b)2., and an
25 employee participating in the Kentucky Employees Retirement System who is
26 determined by the system to be working in a hazardous position in accordance
27 with subsection (2) of this section, shall contribute, for each pay period for

1 which he receives compensation, eight percent (8%) of his creditable
2 compensation.~~[An employee participating in the County Employees
3 Retirement System who is determined by the system to be working in a
4 hazardous duty position in accordance with subsection (2) of this section shall
5 contribute, for each pay period for which he receives compensation, eight
6 percent (8%) of his creditable compensation.]~~

7 (b) Each employer shall pay employer contributions based on the creditable
8 compensation of the employees determined by the system to be working in a
9 hazardous position at the employer contribution rate as determined by the
10 board. The rate shall be determined by actuarial methods consistent with the
11 provisions of KRS 61.565.

12 (c) If the employer participated in the system prior to electing hazardous duty
13 coverage, the employer may pay to the system the cost of converting the
14 nonhazardous service to hazardous service from the date of participation to
15 the date the payment is made, or the employer may establish a payment
16 schedule for payment of the cost of the hazardous service above that which
17 would be funded within the existing employer contribution rate. The employer
18 may extend the payment schedule to a maximum of thirty (30) years.
19 Payments made by the employer under this subsection shall be deposited to
20 the retirement allowance account of the proper retirement system and these
21 funds shall not be considered accumulated contributions of the individual
22 members. If the employer elects not to make the additional payment, the
23 employee may make the lump-sum payment in his own behalf or may pay by
24 increments. Payments made by the employee under this subsection shall not
25 be picked up, as described in KRS 61.560(4), by the employer. If neither the
26 employer nor employee makes the payment, the service prior to hazardous
27 coverage shall remain nonhazardous. The provisions of this paragraph shall

1 not apply to members who begin participating in the systems administered by
2 Kentucky Retirement Systems on or after January 1, 2014.

3 (4) The normal retirement age, retirement allowance, hybrid cash balance plans, other
4 benefits, eligibility requirements, rights, and responsibilities of a member in a
5 hazardous position, as prescribed by subsections (1), (2), and (3) of this section, and
6 the responsibilities, rights, and requirements of his employer shall be as prescribed
7 for a member and employer participating in the State Police Retirement System as
8 provided for by KRS 16.505 to 16.652.

9 (5) Any person employed in a hazardous position after July 1, 1972, shall be required to
10 undergo a thorough medical examination by a licensed physician, and a copy of the
11 medical report of the physician shall be retained on file by the employee's
12 department or county and made available to the system upon request.

13 (6) If doubt exists regarding the benefits payable to a hazardous position employee
14 under this section, the board shall determine the benefits payable under KRS 61.510
15 to 61.705, ~~for 78.510 to 78.852,~~ or 16.505 to 16.652.

16 ➔Section 77. KRS 61.595 is amended to read as follows:

17 (1) Effective July 1, 1990, upon retirement at normal retirement date or subsequent
18 thereto, a **Kentucky Employees Retirement System** member may receive an annual
19 retirement allowance, payable monthly during his lifetime, which shall consist of an
20 amount equal to ~~{two and two-tenths percent (2.2%) for the County Employees~~
21 ~~Retirement System and }one and ninety-seven hundredths percent (1.97%) {for the~~
22 ~~Kentucky Employees Retirement System }of final compensation multiplied by the
23 number of years of service credit, except that:~~

24 (a) Effective February 1, 1999, a member of the Kentucky Employees Retirement
25 System who was participating in one (1) of the state-administered retirement
26 systems as of January 1, 1998, and continues to participate through January 1,
27 1999, shall receive an annual retirement allowance, payable monthly during

1 his lifetime, which shall consist of an amount equal to two percent (2%) of
2 final compensation multiplied by the number of years of service credit. Any
3 Kentucky Employees Retirement System member whose effective date of
4 retirement is between February 1, 1999, and January 31, 2009, and who has at
5 least twenty (20) years of service credit in one (1) of the state-administered
6 retirement systems and who was participating in one (1) of the state-
7 administered retirement systems as of January 1, 1998, and continues to
8 participate through January 1, 1999, shall receive an annual retirement
9 allowance, payable monthly during his lifetime, which shall consist of an
10 amount equal to two and two-tenths percent (2.2%) of final compensation
11 multiplied by the number of years of service credit. Notwithstanding the
12 provisions of KRS 61.565, the funding for this paragraph shall be provided
13 from existing funds of the retirement allowance account;

14 (b) ~~[For a member of the County Employees Retirement System whose~~
15 ~~participation begins on or after August 1, 2004, the annual retirement~~
16 ~~allowance upon retirement at normal retirement date or later shall be equal to~~
17 ~~two percent (2%) of final compensation multiplied by the number of years of~~
18 ~~service credit and shall be payable monthly during his lifetime;~~

19 (e) ~~—~~ The annual normal retirement allowance for members of the General
20 Assembly, who serve during the 1974 or 1976 General Assembly, and will
21 have eight (8) years or more of total legislative service as of January 6, 1978,
22 shall not be less than two hundred forty dollars (\$240) multiplied by the
23 number of years of service as a member of the General Assembly;

24 ~~(c)~~~~(d)~~ For a member of the Kentucky Employees Retirement System ~~— or the~~
25 ~~County Employees Retirement System~~ who begins participating on or after
26 September 1, 2008, the annual retirement allowance upon retirement shall be
27 equal to:

1 apply for a recomputation of his retirement allowance. The employer's share
2 of sixty-five percent (65%) of the computed actuarial cost shall be paid from
3 the State Treasury to the Kentucky Employees Retirement System upon
4 presentation of a properly documented claim to the Finance and
5 Administration Cabinet. If any member with sixteen (16) or more years of
6 legislative service previously applied for and is receiving a retirement
7 allowance, he may reapply and his retirement allowance shall be recomputed
8 in accordance with this paragraph, and he shall thereafter be paid in
9 accordance with the option selected by him at the time of the reapplication;
10 and

11 (g) The annual normal retirement allowance for a member with ten (10) or more
12 years of service, in the Kentucky Employees Retirement System, at least one
13 (1) of which is current service, shall not be less than five hundred twelve
14 dollars (\$512).

15 (2) (a) Upon service retirement prior to normal retirement date, a member may
16 receive an annual retirement allowance payable monthly during his lifetime
17 which shall be determined in the same manner as for retirement at his normal
18 retirement date with years of service and final compensation being determined
19 as of the date of his actual retirement, but the amount of the retirement
20 allowance so determined shall be reduced at an amount determined by the
21 board's actuary to reflect the earlier commencement of benefits.

22 (b) A member of the Kentucky Employees Retirement System~~[or the County~~
23 ~~Employees Retirement System]~~ who begins participating before September 1,
24 2008, who has twenty-seven (27) or more years of service credit, at least
25 fifteen (15) of which are current service, may retire with no reduction in the
26 retirement allowance. A member who begins participating before September
27 1, 2008, who has earned vested service credit in a retirement system, other

1 than the Teachers' Retirement System, sponsored by a Kentucky institution of
 2 higher education, the Council on Postsecondary Education, or the Higher
 3 Education Assistance Authority, may count the vested service toward attaining
 4 the necessary years of service credit as provided in KRS 61.559(2)(c) and (d)
 5 to qualify for a retirement allowance. The credit from a Kentucky institution
 6 of higher education, the Council on Postsecondary Education, or the Higher
 7 Education Assistance Authority shall not be used toward the minimum fifteen
 8 (15) years of current service required by KRS 61.559(2)(c) and (d) or to
 9 calculate his retirement allowance pursuant to this section. The provisions of
 10 this paragraph shall not be construed to limit the use of Teachers' Retirement
 11 System credit pursuant to KRS 61.680(2)(a).

12 (c) A member of the Kentucky Employees Retirement System ~~for the County~~
 13 ~~Employees Retirement System~~ who begins participating on or after
 14 September 1, 2008, may retire with no reduction in benefits if the member is
 15 fifty-seven (57) years of age or older and has an age and years of service total
 16 of at least eighty-seven (87) years. The years of service used to determine
 17 eligibility for an unreduced retirement allowance under this paragraph shall
 18 only include years of service credited under KRS 16.543(1), 61.543(1) ~~or~~
 19 ~~78.615(1)~~ or another state-administered retirement system.

20 (3) Subsections (1) and (2) of this section shall not apply to members who begin
 21 participating in the system on or after January 1, 2014. Members who begin
 22 participating in the system on or after January 1, 2014, shall receive the retirement
 23 benefits prescribed by KRS 61.597.

24 ➔Section 78. KRS 61.597 is amended to read as follows:

25 (1) A member of the Kentucky Employees Retirement System ~~for County Employees~~
 26 ~~Retirement System~~ who is not participating in a hazardous duty position as
 27 provided by KRS 61.592, whose participation in the systems begins on or after

1 January 1, 2014, shall receive the retirement benefits provided by this section in lieu
2 of the retirement benefits provided under KRS 61.559 and 61.595. The retirement
3 benefit provided by this section shall be known as the hybrid cash balance plan and
4 shall operate as another benefit tier within the Kentucky Employees Retirement
5 System ~~and the County Employees Retirement System~~.

6 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the
7 member's accumulated account balance, which shall include:

8 (a) Contributions made by the member as provided by KRS 16.505 to 16.652
9 and ~~61.510 to 61.705, and 78.510 to 78.852~~, except for employee
10 contributions prescribed by KRS 61.702(2)(b);

11 (b) An employer pay credit of four percent (4%) of the creditable compensation
12 earned by the employee for each month the employee is contributing to the
13 hybrid cash balance plan provided by this section; and

14 (c) Interest credits added annually to the member's accumulated account balance
15 as provided by this section.

16 (3) (a) Member contributions and employer pay credits as provided by subsection
17 (2)(a) and (b) of this section shall be credited to the member's account
18 monthly as contributions are reported and posted to the system in accordance
19 with KRS 61.675 ~~and 78.625~~.

20 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be
21 credited to the member's account annually on June 30 of each fiscal year, as
22 determined by subsection (4) of this section.

23 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
24 contributed to the hybrid cash balance plan during the fiscal year.

25 (b) If the member contributed to the hybrid cash balance plan during the fiscal
26 year, the interest credit added to the member's account for that fiscal year shall
27 be determined by multiplying the member's accumulated account balance on

- 1 June 30 of the preceding fiscal year by a percentage increase equal to:
- 2 1. Four percent (4%); plus
- 3 2. Seventy-five percent (75%) of the system's geometric average net
- 4 investment return in excess of a four percent (4%) rate of return.
- 5 (c) If the member did not contribute to the hybrid cash balance plan during the
- 6 fiscal year, the interest credit added to the member's account for that fiscal
- 7 year shall be determined by multiplying the member's accumulated account
- 8 balance on June 30 of the preceding fiscal year by four percent (4%).
- 9 (d) For purposes of this subsection, "system's geometric average net investment
- 10 return":
- 11 1. Means the annual average geometric investment return, net of
- 12 administrative and investment fees and expenses, over the last five (5)
- 13 fiscal years as of the date the interest is credited to the member's
- 14 account; and
- 15 2. Shall be expressed as a percentage and based upon the system in which
- 16 the member has an account.
- 17 (e) No employer pay credits or interest credits shall be provided to a member who
- 18 has taken a refund of contributions as provided by KRS 61.625 or who has
- 19 retired and annuitized his or her accumulated account balance as prescribed by
- 20 this section.
- 21 (5) (a) Upon termination of employment, a member who has less than five (5) years
- 22 of service credited under KRS 16.543(1) and ~~61.543(1), and 78.615(1)~~,
- 23 who elects to take a refund of his or her accumulated account balance as
- 24 provided by KRS 61.625, shall forfeit the accumulated employer credit, and
- 25 shall only receive a refund of his or her accumulated contributions.
- 26 (b) Upon termination of employment, a member who has five (5) or more years of
- 27 service credited under KRS 16.543(1) and ~~61.543(1), and 78.615(1)~~, who

1 elects to take a refund of his or her accumulated account balance as provided
2 by KRS 61.625, shall receive a full refund of his or her accumulated account
3 balance.

4 (6) A member participating in the hybrid cash balance plan provided by this section
5 may retire:

6 (a) At his or her normal retirement date, provided he or she has earned five (5) or
7 more years of service credited under KRS 16.543(1), 61.543(1), ~~78.615(1)~~,
8 ~~for another state-administered retirement system~~; or

9 (b) If the member is at least age fifty-seven (57) and has an age and years of
10 service total of at least eighty-seven (87) years. The years of service used to
11 determine eligibility for retirement under this paragraph shall only include
12 years of service credited under KRS 16.543(1), 61.543(1), ~~78.615(1)~~, ~~or~~
13 another state-administered retirement system.

14 (7) A member eligible to retire under subsection (6) of this section may elect to:

15 (a) Receive a monthly retirement allowance payable for life by having his or her
16 accumulated account balance annuitized by the retirement systems in
17 accordance with the actuarial assumptions and actuarial methods adopted by
18 the board and in effect on the member's retirement date;

19 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
20 under paragraph (a) of this subsection payable under one (1) of the options set
21 forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

22 (c) Take a refund of his or her account balance as provided by KRS 61.625.

23 (8) The provisions of this section shall not apply to members who began participating
24 in the Kentucky Employees Retirement System ~~or the County Employees~~
25 ~~Retirement System~~ prior to January 1, 2014.

26 ➔Section 79. KRS 61.598 is amended to read as follows:

27 (1) For purposes of this section, "bona fide promotion or career advancement":

- 1 (a) Means a professional advancement in substantially the same line of work held
2 by the employee in the four (4) years immediately prior to the final five (5)
3 fiscal years preceding retirement or a change in employment position based on
4 the training, skills, education, or expertise of the employee that imposes a
5 significant change in job duties and responsibilities to clearly justify the
6 increased compensation to the member; and
- 7 (b) Does not include any circumstance where an elected official participating in
8 the Kentucky Employees Retirement System ~~for the County Employees~~
9 ~~Retirement System~~ takes a position of employment with a different employer
10 participating in any of the state-administered retirement systems.
- 11 (2) For employees retiring on or after January 1, 2014, the last participating employer
12 shall be required to pay for any additional actuarial costs resulting from annual
13 increases in an employee's creditable compensation greater than ten percent (10%)
14 over the employee's last five (5) fiscal years of employment that are not the direct
15 result of a bona fide promotion or career advancement. The cost shall be determined
16 by the retirement systems and the system may promulgate administrative regulations
17 in accordance with KRS Chapter 13A to administer this section.
- 18 (3) (a) The Kentucky Retirement Systems shall determine whether increases in
19 creditable compensation during the last five (5) fiscal years of employment
20 prior to retirement constitute a bona fide promotion or career advancement.
- 21 (b) Lump-sum payments for compensatory time paid to an employee upon
22 termination of employment shall be exempt from the provisions of this
23 section.
- 24 (4) Kentucky Retirement Systems shall be required to answer inquiries from
25 participating employers regarding this section. Upon request of the employer prior
26 to the employee's change of position or hiring, the systems shall make a
27 determination that is binding to the systems as to whether or not a change of

1 position or hiring constitutes a bona fide promotion or career advancement.

2 (5) Any employer who disagrees with a determination made by the system in
3 accordance with this section may request a hearing and appeal the decision in
4 accordance with KRS 61.645(16). The systems shall not charge interest, or consider
5 the costs due under this section as delinquent contributions, during the pendency of
6 the hearing process and appeal.

7 (6) For any additional actuarial costs charged to the employer under this section, the
8 systems shall allow the employer to pay the costs over a period, not to exceed one
9 (1) year, without interest.

10 ➔Section 80. KRS 61.600 is amended to read as follows:

11 (1) Any person may qualify to retire on disability, subject to the following conditions:

12 (a) The person shall have sixty (60) months of service, twelve (12) of which shall
13 be current service credited under KRS 16.543(1) or 61.543(1) ~~or~~
14 ~~78.615(1)~~];

15 (b) For a person whose membership date is prior to August 1, 2004, the person
16 shall not be eligible for an unreduced retirement allowance;

17 (c) The person's application shall be on file in the retirement office no later than
18 twenty-four (24) months after the person's last day of paid employment, as
19 defined in KRS 61.510, in a regular full-time position, as defined in KRS
20 61.510 ~~or 78.510~~; and

21 (d) The person shall receive a satisfactory determination pursuant to KRS 61.665.

22 (2) A person's disability reapplication based on the same claim of incapacity shall be
23 accepted and reconsidered for disability if accompanied by new objective medical
24 evidence. The reapplication shall be on file in the retirement office no later than
25 twenty-four (24) months after the person's last day of paid employment in a regular
26 full-time position.

27 (3) Upon the examination of the objective medical evidence by licensed physicians

1 pursuant to KRS 61.665, it shall be determined that:

2 (a) The person, since his last day of paid employment, has been mentally or
3 physically incapacitated to perform the job, or jobs of like duties, from which
4 he received his last paid employment. In determining whether the person may
5 return to a job of like duties, any reasonable accommodation by the employer
6 as provided in 42 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 shall be
7 considered;

8 (b) The incapacity is a result of bodily injury, mental illness, or disease. For
9 purposes of this section, "injury" means any physical harm or damage to the
10 human organism other than disease or mental illness;

11 (c) The incapacity is deemed to be permanent; and

12 (d) The incapacity does not result directly or indirectly from bodily injury, mental
13 illness, disease, or condition which pre-existed membership in the system or
14 reemployment, whichever is most recent. For purposes of this subsection,
15 reemployment shall not mean a change of employment between employers
16 participating in the retirement systems administered by the Kentucky
17 Retirement Systems with no loss of service credit.

18 (4) Paragraph (d) of subsection (3) of this section shall not apply if:

19 (a) The incapacity is a result of bodily injury, mental illness, disease, or condition
20 which has been substantially aggravated by an injury or accident arising out of
21 or in the course of employment; or

22 (b) The person has at least sixteen (16) years' current or prior service for
23 employment with employers participating in the retirement systems
24 administered by the Kentucky Retirement Systems.

25 (5) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result
26 in death or can be expected to last for a continuous period of not less
27 than twelve (12) months from the person's last day of paid employment

1 in a regular full-time position.

2 2. The determination of a permanent incapacity shall be based on the
3 medical evidence contained in the member's file and the member's
4 residual functional capacity and physical exertion requirements.

5 (b) The person's residual functional capacity shall be the person's capacity for
6 work activity on a regular and continuing basis. The person's physical ability
7 shall be assessed in light of the severity of the person's physical, mental, and
8 other impairments. The person's ability to walk, stand, carry, push, pull, reach,
9 handle, and other physical functions shall be considered with regard to
10 physical impairments. The person's ability to understand, remember, and carry
11 out instructions and respond appropriately to supervision, coworkers, and
12 work pressures in a work setting shall be considered with regard to mental
13 impairments. Other impairments, including skin impairments, epilepsy, visual
14 sensory impairments, postural and manipulative limitations, and
15 environmental restrictions, shall be considered in conjunction with the
16 person's physical and mental impairments to determine residual functional
17 capacity.

18 (c) The person's physical exertion requirements shall be determined based on the
19 following standards:

20 1. Sedentary work shall be work that involves lifting no more than ten (10)
21 pounds at a time and occasionally lifting or carrying articles such as
22 large files, ledgers, and small tools. Although a sedentary job primarily
23 involves sitting, occasional walking and standing may also be required
24 in the performance of duties.

25 2. Light work shall be work that involves lifting no more than twenty (20)
26 pounds at a time with frequent lifting or carrying of objects weighing up
27 to ten (10) pounds. A job shall be in this category if lifting is

1 infrequently required but walking and standing are frequently required,
2 or if the job primarily requires sitting with pushing and pulling of arm or
3 leg controls. If the person has the ability to perform substantially all of
4 these activities, the person shall be deemed capable of light work. A
5 person deemed capable of light work shall be deemed capable of
6 sedentary work unless the person has additional limitations such as the
7 loss of fine dexterity or inability to sit for long periods.

8 3. Medium work shall be work that involves lifting no more than fifty (50)
9 pounds at a time with frequent lifting or carrying of objects weighing up
10 to twenty-five (25) pounds. If the person is deemed capable of medium
11 work, the person shall be deemed capable of light and sedentary work.

12 4. Heavy work shall be work that involves lifting no more than one
13 hundred (100) pounds at a time with frequent lifting or carrying of
14 objects weighing up to fifty (50) pounds. If the person is deemed capable
15 of heavy work, the person shall also be deemed capable of medium,
16 light, and sedentary work.

17 5. Very heavy work shall be work that involves lifting objects weighing
18 more than one hundred (100) pounds at a time with frequent lifting or
19 carrying of objects weighing fifty (50) or more pounds. If the person is
20 deemed capable of very heavy work, the person shall be deemed capable
21 of heavy, medium, light, and sedentary work.

22 ➔Section 81. KRS 61.607 is amended to read as follows:

23 Notwithstanding any other provisions of KRS 16.505 to 16.652 ~~or~~ 61.510 to 61.705,
24 ~~or 78.510 to 78.852~~, a maximum disability benefit is hereby established which shall
25 apply, upon disability retirement, to any disabled employee's account to which service
26 credit is added to determine disability benefits or in any case where disability benefits are
27 determined by computing a percentage of the disabled employee's final monthly rate of

1 pay. The maximum disability benefit shall be determined by the following formula:

2 (1) Add the monthly benefit payable to the disabled employee from the retirement
3 system, using the monthly disability retirement allowance (not optional plan) but
4 excluding dependent children's allowances, if any, to his monthly benefit, if any,
5 from Social Security, even though these payments may not begin for a period of
6 time as required for qualification under the federal Social Security law, excluding
7 spouse or dependent benefits, and his monthly benefit, if any, from workers'
8 compensation, even though these payments may not have begun as of the date the
9 disabled member applies for disability retirement benefits, excluding spouse or
10 dependent children's allowances, from workers' compensation, to arrive at a
11 projected combined monthly benefit.

12 (2) If the projected combined monthly benefit exceeds one hundred percent (100%) of
13 the disabled employee's final rate of pay or his final compensation, whichever is
14 greater, his disability retirement allowance from the retirement system shall be
15 reduced to an amount which would cause his projected combined monthly benefit to
16 equal one hundred percent (100%) of his final rate of pay or his final compensation,
17 whichever is greater; however, the disability retirement allowance shall not be
18 reduced below an amount which would result from a computation of his disability
19 retirement allowance from the retirement system using the disabled employee's
20 actual total service.

21 (3) The system may pay estimated benefits to a disabled employee, upon qualification
22 for disability retirement, based on an estimate of his Social Security and workers'
23 compensation benefits until the amounts are actually determined, at which time a
24 final calculation of the member's actual benefits shall be determined and his account
25 corrected retroactive to his effective retirement date.

26 (4) Any increase in Social Security benefits or workers' compensation benefits which
27 becomes law, regardless of their effective date, subsequent to the disabled

1 employee's effective retirement date, shall not be considered in determination of the
 2 maximum benefit payable, as the maximum benefit payable is based on the amount
 3 of combined benefits under these programs as of the disabled employee's effective
 4 retirement date.

5 (5) Any disabled recipient whose potential payments from the system were reduced as
 6 provided for in this section shall advise the system if his payments under the
 7 Federal Social Security Act or Workers' Compensation Act cease at any time
 8 subsequent to his effective retirement date. Upon investigation, if the system
 9 determines that the disabled recipient continues to be eligible for disability benefits,
 10 the system may increase his retirement allowance by adding to his payment an
 11 amount equal to the reduction applied upon the effective retirement date in
 12 accordance with subsection (2) of this section.

13 **(6) The amount of combined disability benefit payments made to an individual on or**
 14 **after July 1, 2017, from the Kentucky Retirement Systems or the County**
 15 **Employees Retirement System shall not be increased as a result of the passage of**
 16 **this Act.**

17 ➔Section 82. KRS 61.621 is amended to read as follows:

18 (1) Notwithstanding any provision of any statutes to the contrary, effective June 1,
 19 2000, any employee participating in one (1) of the state-administered retirement
 20 systems who is not in a hazardous duty position, as defined in KRS 61.592 **or**
 21 **Section 6 of this Act**, shall be eligible for minimum benefits equal to the benefits
 22 payable under this section, ~~or~~ **KRS 61.702, or Section 40 of this Act**, if the
 23 employee dies or becomes totally and permanently disabled to engage in any
 24 occupation for remuneration or profit as a result of a duty-related injury.

25 (2) (a) For purposes of this section, "duty-related injury" means:

26 1. a. A single traumatic event that occurs while the employee is
 27 performing the duties of his position; or

- 1 b. A single act of violence committed against the employee that is
2 found to be related to his job duties, whether or not it occurs at his
3 job site; and
- 4 2. The event or act of violence produces a harmful change in the human
5 organism evidenced by objective medical findings.
- 6 (b) Duty-related injury does not include the effects of the natural aging process, a
7 communicable disease unless the risk of contracting the disease is increased
8 by nature of the employment, or a psychological, psychiatric, or stress-related
9 change in the human organism unless it is the direct result of a physical injury.
- 10 (3) (a) If the employee dies as a result of a duty-related injury and is survived by a
11 spouse, the surviving spouse shall be the beneficiary, and this shall supersede
12 the designation of all previous beneficiaries of the deceased employee's
13 retirement account.
- 14 (b) The surviving spouse may elect to receive the benefits payable under KRS
15 61.640 or other applicable death benefit statutes, or may elect to receive a
16 lump-sum payment of ten thousand dollars (\$10,000) and a monthly payment
17 equal to twenty-five percent (25%) of the member's monthly final rate of pay
18 beginning in the month following the member's death and continuing each
19 month until death.
- 20 (4) If the employee is determined to be disabled as provided in KRS 61.600, or other
21 applicable disability statutes in any other state-administered retirement system, as
22 the result of a duty-related injury, the employee may elect to receive benefits
23 determined under the provisions of KRS 61.605, or other applicable disability
24 statutes in any other state-administered retirement system, except that the monthly
25 retirement allowance shall not be less than twenty-five percent (25%) of the
26 employee's monthly final rate of pay. For purposes of determining disability, the
27 service requirement in KRS 61.600(1)(a), or other applicable statutes in any other

1 state-administered retirement system, shall be waived.

2 (5) In the period of time following a member's death or disability during which
3 dependent children survive, a monthly payment shall be made for each dependent
4 child who is alive which shall be equal to ten percent (10%) of the deceased or
5 disabled member's monthly final rate of pay; however, total maximum dependent
6 children's benefits shall not exceed forty percent (40%) of the deceased or disabled
7 member's monthly final rate of pay at the time any particular payment is due. The
8 payment shall commence in the month following the date of death or disability of
9 the member and shall be payable to the beneficiaries, or to a legally appointed
10 guardian, or as directed by the system. Benefits for death as a result of a duty-
11 related injury shall be payable under this subsection notwithstanding an election by
12 a beneficiary to withdraw the deceased member's accumulated account balance as
13 provided in KRS 61.625 or benefits under any other provisions of KRS 61.515 to
14 61.705 or other applicable death benefit statutes in any other state-administered
15 retirement system.

16 (6) (a) A spouse applying for benefits under this section who is also eligible for
17 benefits under KRS 61.640 or Section 31 of this Act may elect to receive
18 benefits under KRS 61.640(2)(a) or (b) or paragraph (2)(a) or (2)(b) of
19 Section 31 of this Act while the application for benefits under this section is
20 pending.

21 (b) If a final determination results in a finding of eligibility for benefits under this
22 section, the system shall recalculate the benefits due the spouse in accordance
23 with this subsection.

24 (c) If the spouse has been paid less than the amount of benefits to which the
25 spouse was entitled to receive under this section, the system shall pay the
26 additional funds due to the spouse.

27 (d) If the spouse has been paid more than the benefit the spouse was eligible to

1 receive under this section, then the system shall deduct the amount owed by
2 the spouse from the ten thousand dollars (\$10,000) lump-sum payment and
3 from the monthly retirement allowance payments until the amount owed to the
4 systems has been recovered.

5 (7) This section shall be known as "The Fred Capps Memorial Act."

6 ➔Section 83. KRS 61.623 is amended to read as follows:

7 (1) A recipient who begins receiving a retirement allowance August 1, 2000, or after,
8 from the Kentucky Employees Retirement System~~[, the County Employees~~
9 ~~Retirement System,]~~ or the State Police Retirement System shall have the retirement
10 allowance paid by electronic fund transfer to a financial institution designated by
11 the recipient except as provided by subsection (5) of this section.

12 (2) When an individual becomes eligible to receive a monthly retirement allowance, the
13 retirement system shall provide an authorization for deposit of retirement payment
14 form to the recipient to have the monthly retirement allowance deposited to an
15 account in a financial institution.

16 (3) The recipient shall provide the information and authorization required for the
17 electronic transfer of funds from the State Treasurer's office to the designated
18 financial institution.

19 (4) At any time while receiving a retirement allowance, the recipient may change the
20 designated institution by completing a new authorization for deposit of retirement
21 payment form and filing the form at the retirement office in Frankfort. The last
22 authorization for deposit of retirement payment on file at the retirement office shall
23 control the electronic transfer of the recipient's retirement allowance.

24 (5) (a) A recipient may request to be paid by check issued by the State Treasurer
25 instead of by electronic transfer by completing and filing at the retirement
26 office a request for payment by check form.

27 (b) The request shall be approved if:

- 1 1. The recipient certifies that he does not currently have an account with a
- 2 financial institution; or
- 3 2. The recipient's bank certifies that it does not participate in the electronic
- 4 funds transfer program.
- 5 (c) The retirement office shall, every five (5) years, require the recipient to certify
- 6 that the original conditions under which he requested payment by check
- 7 continue. If the original conditions do not exist, the recipient shall complete
- 8 an authorization for direct deposit of retirement payment form and file it with
- 9 the retirement office.

10 ➔Section 84. KRS 61.625 is amended to read as follows:

- 11 (1) (a) Prior to the member's effective retirement date, a member if living, or if not
- 12 living, his designated beneficiary, shall have the right to request a refund of
- 13 his accumulated account balance if the member's employment has been
- 14 terminated and the member is not participating in the same system.
- 15 (b) Upon the death of a member occurring on or after his or her effective
- 16 retirement date, the member's beneficiary shall have the right to request a
- 17 refund of the member's accumulated contributions, reduced by the amount of
- 18 any retirement allowances previously received.
- 19 (2) Payments made under this section shall be in lieu of any other benefits due for the
- 20 period of service under any of the provisions of KRS 16.505 to 16.652 or 61.510
- 21 to 61.705~~, and 78.510 to 78.852~~, unless the period of service is regained as
- 22 provided under KRS 61.552. Payments of taxable distributions made pursuant to
- 23 this section shall be subject to state and federal tax as appropriate.
- 24 (3) A refund of contributions of members whose benefits have been terminated
- 25 pursuant to KRS 6.696 shall be governed by that section.
- 26 (4) A refund of contributions to members whose benefits have been terminated
- 27 pursuant to KRS 61.535(3) shall be governed by the provisions of that subsection.

1 ➔Section 85. KRS 61.630 is amended to read as follows:

- 2 (1) If a retired member who did not elect an optional retirement plan dies at any time on
3 or after the first day of the month in which the member received or would have
4 received his or her first retirement allowance but before receiving total retirement
5 allowances provided in KRS 16.510 to 16.652 and KRS 61.515 to 61.705, ~~and~~
6 ~~KRS 78.520 to 78.852~~ at least equal to his accumulated contributions as of the date
7 of his retirement, the difference between the accumulated contributions and the total
8 allowances shall be payable in a lump sum to the properly designated beneficiary. If
9 a living person designated as the beneficiary predeceases the retired member, the
10 estate shall become the beneficiary. If a spouse designated as the beneficiary is
11 divorced from the retired member as of the member's death, the estate shall become
12 the beneficiary.
- 13 (2) If a retired member who elected an optional retirement plan and his beneficiary both
14 die at any time on or after the first day of the month in which the member received
15 or would have received his or her first retirement allowance but before receiving
16 total retirement allowances provided in KRS 16.510 to 16.652 and KRS 61.515
17 to 61.705, ~~and KRS 78.520 to 78.852~~ at least equal to the retired member's
18 accumulated contributions as of the date of his retirement, the difference between
19 the accumulated contributions and the total allowances shall be payable in a lump
20 sum to the estate of the last deceased, except that the retired member's estate shall
21 receive the payment if the beneficiary was the spouse and they were divorced as of
22 the date of the member's death. If the retired member and beneficiary die
23 simultaneously, the estate of the retired member shall become the beneficiary.
- 24 (3) If a beneficiary receiving a lifetime retirement allowance under KRS 16.578 or
25 61.640 dies before receiving total retirement allowances provided in KRS 16.510 to
26 16.652 and KRS 61.515 to 61.705, ~~and KRS 78.520 to 78.852~~ at least equal to
27 the member's accumulated contributions as of the date of the member's death, the

1 difference between the accumulated contributions and the total allowances shall be
2 payable in a lump sum to the estate of the beneficiary.

3 (4) If a beneficiary receiving a retirement allowance for sixty (60) or one hundred
4 twenty (120) months certain under KRS 16.576, 16.578, or 61.640, or a beneficiary
5 receiving a retirement allowance under KRS 61.635(5), (6), or (7), dies before
6 receiving all payments under the plan, the executor or administrator of his estate
7 shall receive a lump sum payment which shall be the actuarial equivalent to the
8 remaining payments.

9 (5) If the system is unable to verify a recipient's whereabouts or whether the recipient is
10 living, the system shall suspend the recipient's retirement allowance. If the recipient
11 is located, the system shall restore to the recipient all suspended retirement
12 allowances.

13 ➔Section 86. KRS 61.637 is amended to read as follows:

14 (1) A retired member who is receiving monthly retirement payments under any of the
15 provisions of KRS 61.510 to 61.705 ~~and 78.510 to 78.852~~ and who is reemployed
16 as an employee by a participating agency prior to August 1, 1998, shall have his
17 retirement payments suspended for the duration of reemployment. Monthly
18 payments shall not be suspended for a retired member who is reemployed if he
19 anticipates that he will receive less than the maximum permissible earnings as
20 provided by the Federal Social Security Act in compensation as a result of
21 reemployment during the calendar year. The payments shall be suspended at the
22 beginning of the month in which the reemployment occurs.

23 (2) Employer and employee contributions shall be made as provided in KRS 61.510 to
24 61.705 ~~and 78.510 to 78.852~~ on the compensation paid during reemployment,
25 except where monthly payments were not suspended as provided in subsection (1)
26 of this section or would not increase the retired member's last monthly retirement
27 allowance by at least one dollar (\$1), and the member shall be credited with

1 additional service credit.

2 (3) In the month following the termination of reemployment, retirement allowance
3 payments shall be reinstated under the plan under which the member was receiving
4 payments prior to reemployment.

5 (4) (a) Notwithstanding the provisions of this section, the payments suspended in
6 accordance with subsection (1) of this section shall be paid retroactively to the
7 retired member, or his estate, if he does not receive more than the maximum
8 permissible earnings as provided by the Federal Social Security Act in
9 compensation from participating agencies during any calendar year of
10 reemployment.

11 (b) If the retired member is paid suspended payments retroactively in accordance
12 with this section, employee contributions deducted during his period of
13 reemployment, if any, shall be refunded to the retired employee, and no
14 service credit shall be earned for the period of reemployment.

15 (c) If the retired member is not eligible to be paid suspended payments for his
16 period of reemployment as an employee, his retirement allowance shall be
17 recomputed under the plan under which the member was receiving payments
18 prior to reemployment as follows:

19 1. The retired member's final compensation shall be recomputed using
20 creditable compensation for his period of reemployment; however, the
21 final compensation resulting from the recalculation shall not be less than
22 that of the member when his retirement allowance was last determined;

23 2. If the retired member initially retired on or subsequent to his normal
24 retirement date, his retirement allowance shall be recomputed by using
25 the formula in KRS 61.595(1);

26 3. If the retired member initially retired prior to his normal retirement date,
27 his retirement allowance shall be recomputed using the formula in KRS

1 61.595(2), except that the member's age used in computing benefits shall
2 be his age at the time of his initial retirement increased by the number of
3 months of service credit earned for service performed during
4 reemployment;

5 4. The retirement allowance payments resulting from the recomputation
6 under this subsection shall be payable in the month following the
7 termination of reemployment in lieu of payments under subparagraph 3.
8 The member shall not receive less in benefits as a result of the
9 recomputation than he was receiving prior to reemployment or would
10 receive as determined under KRS 61.691; and

11 5. Any retired member who was reemployed prior to March 26, 1974, shall
12 begin making contributions to the system in accordance with the
13 provisions of this section on the first day of the month following March
14 26, 1974.

15 (5) A retired member, or his estate, shall pay to the retirement fund the total amount of
16 payments which are not suspended in accordance with subsection (1) of this section
17 if the member received more than the maximum permissible earnings as provided
18 by the Federal Social Security Act in compensation from participating agencies
19 during any calendar year of reemployment, except the retired member or his estate
20 may repay the lesser of the total amount of payments which were not suspended or
21 fifty cents (\$0.50) of each dollar earned over the maximum permissible earnings
22 during reemployment if under age sixty-five (65), or one dollar (\$1) for every three
23 dollars (\$3) earned if over age sixty-five (65).

24 (6) (a) "Reemployment" or "reinstatement" as used in this section shall not include a
25 retired member who has been ordered reinstated by the Personnel Board under
26 authority of KRS 18A.095.

27 (b) A retired member who has been ordered reinstated by the Personnel Board

1 under authority of KRS 18A.095 or by court order or by order of the Human
2 Rights Commission and accepts employment by an agency participating in the
3 Kentucky Employees Retirement System ~~or County Employees Retirement~~
4 ~~System~~ shall void his retirement by reimbursing the system in the full amount
5 of his retirement allowance payments received.

6 (7) (a) Effective August 1, 1998, the provisions of subsections (1) to (4) of this
7 section shall no longer apply to a retired member who is reemployed in a
8 position covered by the same retirement system from which the member
9 retired. Reemployed retired members shall be treated as new members upon
10 reemployment. Any retired member whose reemployment date preceded
11 August 1, 1998, who does not elect, within sixty (60) days of notification by
12 the retirement systems, to remain under the provisions of subsections (1) to
13 (4) of this section shall be deemed to have elected to participate under this
14 subsection.

15 (b) A retired member whose disability retirement was discontinued pursuant to
16 KRS 61.615 and who is reemployed in one (1) of the systems administered by
17 the Kentucky Retirement Systems prior to his or her normal retirement date
18 shall have his or her accounts combined upon termination for determining
19 eligibility for benefits. If the member is eligible for retirement, the member's
20 service and creditable compensation earned as a result of his or her
21 reemployment shall be used in the calculation of benefits, except that the
22 member's final compensation shall not be less than the final compensation last
23 used in determining his or her retirement allowance. The member shall not
24 change beneficiary or payment option designations. This provision shall apply
25 to members reemployed on or after August 1, 1998.

26 (8) A retired member or his employer shall notify the retirement system if he has
27 accepted employment or is serving as a volunteer with an employer that participates

1 in the retirement system from which the member retired. The retired member and
2 the participating employer shall submit the information required or requested by the
3 systems to confirm the individual's employment or volunteer status.

4 (9) If the retired member is under a contract, the member shall submit a copy of that
5 contract to the retirement system, and the retirement system shall determine if the
6 member is an independent contractor for purposes of retirement benefits. The
7 retired member and the participating employer shall submit the information required
8 or requested by the systems to confirm the individual's employment or volunteer
9 status.

10 (10) If a member is receiving a retirement allowance, or has filed the forms required for
11 a retirement allowance, and is employed within one (1) month of the member's
12 initial retirement date in a position that is required to participate in the same
13 retirement system from which the member retired, the member's retirement shall be
14 voided and the member shall repay to the retirement system all benefits received.
15 The member shall contribute to the member account established for him prior to his
16 voided retirement. The retirement allowance for which the member shall be eligible
17 upon retirement shall be determined by total service and creditable compensation.

18 (11) ~~[(a)]~~ If a member of the Kentucky Employees Retirement System retires from a
19 department which participates in more than one (1) retirement system and is
20 reemployed within one (1) month of his initial retirement date by the same
21 department in a position participating in another retirement system, the retired
22 member's retirement allowance shall be suspended for the first month of his
23 retirement and the member shall repay to the retirement system all benefits
24 received for the month.

25 ~~[(b) A retired member of the County Employees Retirement System who after
26 initial retirement is hired by the county from which the member retired shall
27 be considered to have been hired by the same employer.]~~

- 1 (12) (a) If a hazardous member who retired prior to age fifty-five (55), or a
2 nonhazardous member who retired prior to age sixty-five (65), is reemployed
3 within six (6) months of the member's termination by the same employer, the
4 member shall obtain from his previous and current employers a copy of the
5 job description established by the employers for the position and a statement
6 of the duties performed by the member for the position from which he retired
7 and for the position in which he has been reemployed.
- 8 (b) The job descriptions and statements of duties shall be filed with the retirement
9 office.
- 10 (13) If the retirement system determines that the retired member has been employed in a
11 position with the same principal duties as the position from which the member
12 retired:
- 13 (a) The member's retirement allowance shall be suspended during the period that
14 begins on the month in which the member is reemployed and ends six (6)
15 months after the member's termination;
- 16 (b) The retired member shall repay to the retirement system all benefits paid from
17 systems administered by Kentucky Retirement Systems under reciprocity,
18 including medical insurance benefits, that the member received after
19 reemployment began;
- 20 (c) Upon termination, or subsequent to expiration of the six (6) month period
21 from the date of termination, the retired member's retirement allowance based
22 on his initial retirement account shall no longer be suspended and the member
23 shall receive the amount to which he is entitled, including an increase as
24 provided by KRS 61.691;
- 25 (d) Except as provided in subsection (7) of this section, if the position in which a
26 retired member is employed after initial retirement is a regular full-time
27 position, the retired member shall contribute to a second member account

1 established for him in the retirement system. Service credit gained after the
2 member's date of reemployment shall be credited to the second member
3 account; and

4 (e) Upon termination, the retired member shall be entitled to benefits payable
5 from his second retirement account.

6 (14) (a) If the retirement system determines that the retired member has not been
7 reemployed in a position with the same principal duties as the position from
8 which he retired, the retired member shall continue to receive his retirement
9 allowance.

10 (b) If the position is a regular full-time position, the member shall contribute to a
11 second member account in the retirement system.

12 (15) (a) If a retired member is reemployed at least one (1) month after initial
13 retirement in a different position, or at least six (6) months after initial
14 retirement in the same position, and prior to normal retirement age, the retired
15 member shall contribute to a second member account in the retirement system
16 and continue to receive a retirement allowance from the first member account.

17 (b) Service credit gained after reemployment shall be credited to the second
18 member account. Upon termination, the retired member shall be entitled to
19 benefits payable from the second member account.

20 (16) A retired member who is reemployed and contributing to a second member account
21 shall not be eligible to purchase service credit under any of the provisions of KRS
22 16.505 to 16.652 or 61.510 to 61.705~~[, or 78.510 to 78.852]~~ which he was
23 eligible to purchase prior to his initial retirement.

24 (17) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (15) of this
25 section, the following shall apply to retired members who are reemployed by an
26 agency participating in one (1) of the systems administered by Kentucky Retirement
27 Systems on or after September 1, 2008:

1 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a member is
2 receiving a retirement allowance from one (1) of the systems administered by
3 Kentucky Retirement Systems, or has filed the forms required to receive a
4 retirement allowance from one (1) of the systems administered by Kentucky
5 Retirement Systems, and is employed in a regular full-time position required
6 to participate in one (1) of the systems administered by Kentucky Retirement
7 Systems or is employed in a position that is not considered regular full-time
8 with an agency participating in one (1) of the systems administered by
9 Kentucky Retirement Systems within three (3) months following the member's
10 initial retirement date, the member's retirement shall be voided, and the
11 member shall repay to the retirement system all benefits received, including
12 any health insurance benefits. If the member is returning to work in a regular
13 full-time position required to participate in one (1) of the systems
14 administered by Kentucky Retirement Systems:

- 15 1. The member shall contribute to a member account established for him or
16 her in one (1) of the systems administered by Kentucky Retirement
17 Systems, and employer contributions shall be paid on behalf of the
18 member by the participating employer; and
- 19 2. Upon subsequent retirement, the member shall be eligible for a
20 retirement allowance based upon total service and creditable
21 compensation, including any additional service or creditable
22 compensation earned after his or her initial retirement was voided;

23 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a member is
24 receiving a retirement allowance from one (1) of the systems administered by
25 Kentucky Retirement Systems and is employed in a regular full-time position
26 required to participate in one (1) of the systems administered by Kentucky
27 Retirement Systems after a three (3) month period following the member's

1 initial retirement date, the member may continue to receive his or her
2 retirement allowance during the period of reemployment subject to the
3 following provisions:

- 4 1. Both the employee and participating agency shall certify in writing on a
5 form prescribed by the board that no prearranged agreement existed
6 between the employee and agency prior to the employee's retirement for
7 the employee to return to work with the participating agency. If an
8 elected official is reelected to a new term of office in the same position
9 and retires following the election but prior to taking the new term of
10 office, he or she shall be deemed by the system as having a prearranged
11 agreement under the provisions of this subparagraph and shall have his
12 or her retirement voided. If the participating agency or employer fail to
13 complete the certification, the member's retirement shall be voided and
14 the provisions of paragraph (a) of this subsection shall apply to the
15 member and the employer;
- 16 2. Notwithstanding any other provision of KRS Chapter 16 ~~or~~ ~~61.61~~
17 ~~78~~ to the contrary, the member shall not contribute to the systems and
18 shall not earn any additional benefits for any work performed during the
19 period of reemployment;
- 20 3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
21 shall pay employer contributions as specified by KRS 61.565 and 61.702
22 on all creditable compensation earned by the employee during the period
23 of reemployment. The additional contributions paid shall be used to
24 reduce the unfunded actuarial liability of the systems; and
- 25 4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
26 shall be required to reimburse the systems for the cost of the health
27 insurance premium paid by the systems to provide coverage for the

1 retiree, not to exceed the cost of the single premium~~[- Effective July 1,~~
2 ~~2015, local school boards shall not be required to pay the reimbursement~~
3 ~~required by this subparagraph for retirees employed by the board for~~
4 ~~eighty (80) days or less during the fiscal year];~~

5 (c) If a member is receiving a retirement allowance from the State Police
6 Retirement System or from hazardous duty retirement coverage with the
7 Kentucky Employees Retirement System~~[- or the County Employees~~
8 ~~Retirement System],~~ or has filed the forms required to receive a retirement
9 allowance from the State Police Retirement System or from hazardous duty
10 retirement coverage with the Kentucky Employees Retirement System~~[- or the~~
11 ~~County Employees Retirement System],~~ and is employed in a regular full-time
12 position required to participate in the State Police Retirement System or in a
13 hazardous duty position with the Kentucky Employees Retirement System~~[- or~~
14 ~~the County Employees Retirement System]~~ within one (1) month following
15 the member's initial retirement date, the member's retirement shall be voided,
16 and the member shall repay to the retirement system all benefits received,
17 including any health insurance benefits. If the member is returning to work in
18 a regular full-time position required to participate in one (1) of the systems
19 administered by Kentucky Retirement Systems:

- 20 1. The member shall contribute to a member account established for him or
21 her in one (1) of the systems administered by Kentucky Retirement
22 Systems, and employer contributions shall be paid on behalf of the
23 member by the participating employer; and
- 24 2. Upon subsequent retirement, the member shall be eligible for a
25 retirement allowance based upon total service and creditable
26 compensation, including any additional service or creditable
27 compensation earned after his or her initial retirement was voided;

1 (d) If a member is receiving a retirement allowance from the State Police
2 Retirement System or from hazardous duty retirement coverage with the
3 Kentucky Employees Retirement System~~[or the County Employees~~
4 ~~Retirement System]~~ and is employed in a regular full-time position required to
5 participate in the State Police Retirement System or in a hazardous duty
6 position with the Kentucky Employees Retirement System~~[or the County~~
7 ~~Employees Retirement System]~~ after a one (1) month period following the
8 member's initial retirement date, the member may continue to receive his or
9 her retirement allowance during the period of reemployment subject to the
10 following provisions:

11 1. Both the employee and participating agency shall certify in writing on a
12 form prescribed by the board that no prearranged agreement existed
13 between the employee and agency prior to the employee's retirement for
14 the employee to return to work with the participating agency. If an
15 elected official is reelected to a new term of office in the same position
16 and retires following the election but prior to taking the new term of
17 office, he or she shall be deemed by the system as having a prearranged
18 agreement under the provisions of this subparagraph and shall have his
19 or her retirement voided. If the participating agency or employer fail to
20 complete the certification, the member's retirement shall be voided and
21 the provisions of paragraph (c) of this subsection shall apply to the
22 member and the employer;

23 2. Notwithstanding any other provision of KRS Chapter 16, or 61~~[, or 78]~~
24 to the contrary, the member shall not contribute to the systems and shall
25 not earn any additional benefits for any work performed during the
26 period of reemployment;

27 3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer

1 shall pay employer contributions as specified by KRS 61.565 and 61.702
2 on all creditable compensation earned by the employee during the period
3 of reemployment. The additional contributions paid shall be used to
4 reduce the unfunded actuarial liability of the systems; and

5 4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
6 shall be required to reimburse the systems for the cost of the health
7 insurance premium paid by the systems to provide coverage for the
8 retiree, not to exceed the cost of the single premium;

9 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
10 who qualifies as a volunteer for an employer participating in one (1) of the
11 systems administered by Kentucky Retirement Systems and who is receiving
12 reimbursement of actual expenses, a nominal fee for his or her volunteer
13 services, or both, shall not be considered an employee of the participating
14 employer and shall not be subject to paragraphs (a) to (d) of this subsection if:

15 1. Prior to the retired member's most recent retirement date, he or she did
16 not receive creditable compensation from the participating employer in
17 which the retired member is performing volunteer services;

18 2. Any reimbursement or nominal fee received prior to the retired
19 member's most recent retirement date has not been credited as creditable
20 compensation to the member's account or utilized in the calculation of
21 the retired member's benefits;

22 3. The retired member has not purchased or received service credit under
23 any of the provisions of KRS 61.510 to 61.705~~[or 78.510 to 78.852]~~ for
24 service with the participating employer for which the retired member is
25 performing volunteer services; and

26 4. Other than the status of volunteer, the retired member does not become
27 an employee, leased employee, or independent contractor of the

1 employer for which he or she is performing volunteer services for a
 2 period of at least twenty-four (24) months following the retired
 3 member's most recent retirement date.

4 If a retired member, who provided volunteer services with a participating
 5 employer under this paragraph violates any provision of this paragraph, then
 6 he or she shall be deemed an employee of the participating employer as of the
 7 date he or she began providing volunteer services and both the retired member
 8 and the participating employer shall be subject to paragraphs (a) to (d) of this
 9 subsection for the period of volunteer service;~~and~~

10 (f) Notwithstanding any provision of this section, any mayor or member of a city
 11 legislative body who has not participated in the County Employees Retirement
 12 System prior to retirement, but who is otherwise eligible to retire from the
 13 Kentucky Employees Retirement System or the State Police Retirement
 14 System, shall not be:

- 15 1. Required to resign from his or her position as mayor or as a member of
 16 the city legislative body in order to begin drawing benefits from the
 17 Kentucky Employees Retirement System or the State Police Retirement
 18 System; or
- 19 2. Subject to any provision of this section as it relates solely to his or her
 20 service as a mayor or member of the city legislative body; **and**

21 **(g) Retired members of the County Employees Retirement System who are**
 22 **reemployed on or after September 1, 2008, by an employer participating in**
 23 **one (1) of the systems administered by Kentucky Retirement Systems shall**
 24 **not be eligible to earn a second retirement account in one (1) of the systems**
 25 **administered by Kentucky Retirement Systems for his or her service to the**
 26 **employer.**

27 ➔Section 87. KRS 61.645 is amended to read as follows:

- 1 (1) The ~~{County Employees Retirement System, }~~Kentucky Employees Retirement
 2 System~~},~~ and State Police Retirement System shall be administered by the board of
 3 trustees of the Kentucky Retirement Systems composed of eleven (11)~~{thirteen~~
 4 ~~(13)}~~ members, who shall be selected as follows:
- 5 (a) The secretary of the Personnel Cabinet shall serve as trustee for as long as he
 6 occupies the position of secretary under KRS 18A.015, except as provided
 7 under subsections (5) and (6) of this section;
- 8 (b) ~~{Three (3) trustees, who shall be members or retired from the County~~
 9 ~~Employees Retirement System, elected by the members and retired members~~
 10 ~~of the County Employees Retirement System;~~
- 11 ~~(c)~~ One (1) trustee, who shall be a member or retired from the State Police
 12 Retirement System, elected by the members and retired members of the State
 13 Police Retirement System;
- 14 ~~(c)~~~~{(d)}~~ Two (2) trustees, who shall be members or retired from the Kentucky
 15 Employees Retirement System, elected by the members and retired members
 16 of the Kentucky Employees Retirement System; and
- 17 ~~(d)~~~~{(e)}~~ Seven (7)~~{Six (6)}~~ trustees, appointed by the Governor of the
 18 Commonwealth. Of the seven (7)~~{six (6)}~~ trustees appointed by the Governor:
- 19 1. One (1) trustee shall be knowledgeable about the impact of pension
 20 requirements on local governments; and
 - 21 2. ~~{One (1) trustee shall be appointed from a list of three (3) applicants~~
 22 ~~submitted by the Kentucky League of Cities;~~
 - 23 3. ~~One (1) trustee shall be appointed from a list of three (3) applicants~~
 24 ~~submitted by the Kentucky Association of Counties;~~
 - 25 4. ~~One (1) trustee shall be appointed from a list of three (3) applicants~~
 26 ~~submitted by the Kentucky School Boards Association; and~~
 - 27 5. ~~Two (2)}~~Six (6) trustees shall have investment experience. For purposes

1 of this subparagraph, a trustee with "investment experience" means an
2 individual who does not have a conflict of interest, as provided by KRS
3 61.655, and who has at least ten (10) years of experience in one (1) of
4 the following areas of expertise:

- 5 a. A portfolio manager acting in a fiduciary capacity;
- 6 b. A professional securities analyst or investment consultant;
- 7 c. A current or retired employee or principal of a trust institution,
8 investment or finance organization, or endowment fund acting in
9 an investment-related capacity;
- 10 d. A chartered financial analyst in good standing as determined by the
11 CFA Institute;
- 12 e. A university professor, teaching economics or investment-related
13 studies; or
- 14 f. Any other professional with exceptional experience in the field of
15 public or private finances.

16 (2) The board is hereby granted the powers and privileges of a corporation, including
17 but not limited to the following powers:

- 18 (a) To sue and be sued in its corporate name;
- 19 (b) To make bylaws not inconsistent with the law;
- 20 (c) To conduct the business and promote the purposes for which it was formed;
- 21 (d) To contract for investment counseling, actuarial, auditing, medical, and other
22 professional or technical services as required to carry out the obligations of
23 the board without limitation, notwithstanding the provisions of KRS Chapters
24 45, 45A, 56, and 57;
- 25 (e) To purchase fiduciary liability insurance;
- 26 (f) To acquire, hold, sell, dispose of, pledge, lease, or mortgage, the goods or
27 property necessary to exercise the board's powers and perform the board's

1 duties without limitation, notwithstanding the limitations of KRS Chapters 45,
2 45A, and 56; and

3 (g) The board shall reimburse any trustee, officer, or employee for any legal
4 expense resulting from a civil action arising out of the performance of his
5 official duties.

6 (3) (a) Notwithstanding the provisions of subsection (1) of this section, each trustee
7 shall serve a term of four (4) years or until his successor is duly qualified
8 except as otherwise provided in this section. An elected trustee or a trustee
9 appointed by the Governor under subsection ~~(1)(d)~~ of this section,
10 shall not serve more than three (3) consecutive four (4) year terms. An elected
11 trustee or a trustee appointed by the Governor under subsection ~~(1)(d)~~
12 of this section, who has served three (3) consecutive terms may be elected or
13 appointed again after an absence of four (4) years from the board.

14 (b) The term limits established by paragraph (a) of this subsection shall apply to
15 trustees serving on or after July 1, 2012, and all terms of office served prior to
16 July 1, 2012, shall be used to determine if the trustee has exceeded the term
17 limits provided by paragraph (a) of this subsection.

18 (4) (a) The trustees selected by the membership of each of the various retirement
19 systems shall be elected by ballot. For each trustee to be elected, the board
20 may nominate, not less than six (6) months before a term of office of a trustee
21 is due to expire, three (3) constitutionally eligible individuals.

22 (b) Individuals may be nominated by the retirement system members which are to
23 elect the trustee by presenting to the executive director, not less than four (4)
24 months before a term of office of a trustee is due to expire, a petition, bearing
25 the name, last four digits of the Social Security number, and signature of no
26 less than one-tenth (1/10) of the number voting in the last election by the
27 retirement system members.

- 1 (c) Within four (4) months of the nominations made in accordance with
2 paragraphs (a) and (b) of this subsection, the executive director shall cause to
3 be prepared an official ballot. The ballot shall carry the name, address, and
4 position title of each individual nominated by the board and by petition.
5 Provisions shall also be made for write-in votes.
- 6 (d) The ballots shall be distributed to the eligible voters by mail to their last
7 known residence address.
- 8 (e) The ballots shall be addressed to the Kentucky Retirement Systems in care of
9 a predetermined box number at a United States Post Office located within
10 Kentucky. Access to this post office box shall be limited to the board's
11 contracted auditing firm. The individual receiving a plurality of votes shall be
12 declared elected.
- 13 (f) The eligible voter shall cast his ballot by checking a square opposite the name
14 of the candidate of his choice. He shall sign and mail the ballot at least thirty
15 (30) days prior to the date the term to be filled is due to expire. The latest
16 mailing date shall be printed on the ballot.
- 17 (g) The board's contracted auditing firm shall report in writing the outcome to the
18 chair of the board of trustees. Cost of an election shall be payable from the
19 funds of the system for which the trustee is elected.
- 20 (h) For purposes of this subsection, an eligible voter shall be a person who was a
21 member of the retirement system on December 31 of the year preceding the
22 election year.
- 23 (i) Each individual who submits a request to be nominated by the board under
24 paragraph (a) of this subsection and each individual who is nominated by the
25 membership under paragraph (b) of this subsection shall:
- 26 1. Complete an application developed by the retirement systems which
27 shall include but not be limited to a disclosure of any prior felonies and

- 1 any conflicts of interest that would hinder the individual's ability to
2 serve on the board;
- 3 2. Submit a resume detailing the individual's education and employment
4 history and a cover letter detailing the member's qualifications for
5 serving as trustee to the board; and
- 6 3. Authorize the systems to have a criminal background check performed.
7 The criminal background check shall be performed by the Department of
8 Kentucky State Police.
- 9 (5) Any vacancy which may occur in an appointed position shall be filled in the same
10 manner which provides for the selection of the particular trustee, and any vacancy
11 which may occur in an elected position shall be filled by appointment by a majority
12 vote of the remaining trustees, and if the secretary of the Personnel Cabinet resigns
13 his position as trustee, it shall be filled by appointment made by the Governor;
14 however, any vacancy shall be filled only for the duration of the unexpired term.
- 15 (6) (a) Membership on the board of trustees shall not be incompatible with any other
16 office unless a constitutional incompatibility exists. No trustee shall serve in
17 more than one (1) position as trustee on the board; and if a trustee holds more
18 than one (1) position as trustee on the board, he shall resign a position.
- 19 (b) A trustee shall be removed from office upon conviction of a felony or for a
20 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court
21 of competent jurisdiction.
- 22 (c) A current or former employee of Kentucky Retirement Systems shall not be
23 eligible to serve as a member of the board.
- 24 (7) Trustees who do not otherwise receive a salary from the State Treasury shall receive
25 a per diem of eighty dollars (\$80) for each day they are in session or on official
26 duty, and they shall be reimbursed for their actual and necessary expenses in
27 accordance with state administrative regulations and standards.

- 1 (8) (a) The board shall meet at least once in each quarter of the year and may meet in
2 special session upon the call of the chair or the executive director.
- 3 (b) The board shall elect a chair and a vice chair. The chair shall not serve more
4 than four (4) consecutive years as chair or vice-chair of the board. The vice-
5 chair shall not serve more than four (4) consecutive years as chair or vice-
6 chair of the board. A trustee who has served four (4) consecutive years as
7 chair or vice-chair of the board may be elected chair or vice-chair of the board
8 after an absence of two (2) years from the positions.
- 9 (c) A majority of the trustees shall constitute a quorum and all actions taken by
10 the board shall be by affirmative vote of a majority of the trustees present.
- 11 (9) (a) The board of trustees shall appoint or contract for the services of an executive
12 director and fix the compensation and other terms of employment for this
13 position without limitation of the provisions of KRS Chapters 18A and 45A
14 and KRS 64.640. The executive director shall be the chief administrative
15 officer of the board.
- 16 (b) The board of trustees shall authorize the executive director to appoint the
17 employees deemed necessary to transact the business of the system. For an
18 appointee deemed to be in a policy-making position, the board shall determine
19 the compensation and other terms of employment for the policy-making
20 position without limitation of the provisions of KRS Chapter 18A. Anything
21 in the Kentucky Revised Statutes to the contrary notwithstanding, the power
22 over and control of determining and maintaining an adequate complement of
23 employees shall be under the exclusive jurisdiction of the board of trustees.
- 24 (c) Effective December 1, 2002, all employees of the Kentucky Retirement
25 Systems shall be transferred to a personnel system adopted by the board.
26 Employees of Kentucky Retirement Systems covered by the personnel system
27 adopted by the board shall be:

- 1 1. Provided the same health insurance coverage as all other state
2 government employees as provided in KRS 18A.225;
- 3 2. Eligible to participate in the deferred compensation system provided for
4 all state government employees as provided in KRS 18A.250 to
5 18A.265;
- 6 3. Provided the same life insurance coverage provided all state employees
7 as provided in KRS 18A.205 to 18A.215;
- 8 4. Reimbursed for all reasonable and necessary travel expenses and
9 disbursements incurred or made in the performance of official duties in
10 accordance with KRS Chapter 45;
- 11 5. Ensured equal employment opportunity regardless of race, color, gender,
12 religion, national origin, disability, sexual orientation, or age;
- 13 6. Given those holidays and rights granted to state employees as provided
14 in KRS 18A.190;
- 15 7. Paid a salary not less than the salary paid as of the date of transfer to the
16 personnel system, unless voluntarily demoted or involuntarily demoted
17 for cause;
- 18 8. Credited with all accumulated sick leave, compensatory time, and
19 annual leave accumulated in accordance with KRS Chapter 18A, and for
20 an employee leaving service, the system shall attest to the employee's
21 accumulated sick leave, compensatory time, and annual leave which
22 shall be credited with other state and county employers to the extent
23 provided for by statute or policy. The Kentucky Retirement Systems
24 may, at the discretion of the board, accept from other state and county
25 employers all accumulated sick leave, compensatory time, and annual
26 leave for an employee leaving a state or county employer and accepting
27 employment with the Kentucky Retirement Systems. The executive

1 branch shall accept from the Kentucky Retirement Systems all
2 accumulated sick leave, compensatory time, and annual leave for an
3 employee leaving the Kentucky Retirement Systems and accepting
4 employment with the executive branch. The Kentucky Retirement
5 Systems shall accept from the executive branch all accumulated sick
6 leave, compensatory time, and annual leave for an employee leaving the
7 executive branch and accepting employment with the Kentucky
8 Retirement Systems;

9 9. Classified with status upon transfer to the personnel system on
10 December 1, 2002, if the employee was classified with status as a merit
11 employee under KRS Chapter 18A. Any employee of the Kentucky
12 Retirement Systems transferred on December 1, 2002, during the
13 probationary period before earning classified status as a merit system
14 employee under KRS Chapter 18A shall transfer all accrued
15 probationary time and the time shall be credited to the probationary time
16 required to attain classified status in the personnel system;

17 10. Ensured a grievance appeal procedure and the employee's right to have a
18 representative present at each step of the grievance procedure; and

19 11. Ensured of the right of appeal in a manner consistent with the provisions
20 of KRS 18A.095 to the Kentucky Personnel Board and employees
21 classified with status in the personnel system shall not be dismissed,
22 demoted, suspended, or otherwise penalized except for cause.

23 (d) The board shall adopt by administrative regulation a fair, equitable, and
24 comprehensive personnel policy with a minimum of the following provisions
25 for the personnel system:

26 1. A code of conduct including provisions describing performance of
27 duties, abuse of position, conflicts of interest, and outside employment;

- 1 2. An appointments plan including provisions describing the appointing
2 authority, appointments, equal employment policy, sexual harassment
3 policy, and drug-free workplace policy;
- 4 3. A classification plan including provisions describing class
5 specifications, position actions, and employee actions;
- 6 4. A compensation plan based on qualifications, experience, and
7 responsibilities and including provisions which describe a salary
8 schedule, salary adjustments, salary advancements, and an employee
9 suggestion program;
- 10 5. Separations, disciplinary actions, and appeal policies including
11 provisions describing classified with status, exemptions from classified
12 with status, lay-offs, abolishment of position, dismissals and notification
13 of dismissal, dismissals during probationary period, disciplinary actions,
14 right of appeal, grievance and appeal procedures, and an employee
15 grievance and appeal committee;
- 16 6. Service and benefits regulations including provisions describing hours of
17 work, fringe benefits, workers' compensation, payroll deductions,
18 holidays, inclement weather days, compensatory time, retirement,
19 resignations, employee evaluations, and political activities; and
- 20 7. Leave policies including provisions describing special leave, annual
21 leave, court leave and jury duty, military leave, voting leave, educational
22 leave, sick leave, family medical leave, leave without pay, absence
23 without leave, and blood donation leave.
- 24 (e) The board shall require the executive director and the employees as it thinks
25 proper to execute bonds for the faithful performance of their duties
26 notwithstanding the limitations of KRS Chapter 62.
- 27 (f) The board shall establish a system of accounting.

1 (g) The board shall do all things, take all actions, and promulgate all
2 administrative regulations, not inconsistent with the provisions of KRS 16.505
3 to 16.652 ~~and~~ 61.510 to 61.705~~, and 78.510 to 78.852~~, necessary or
4 proper in order to carry out the provisions of KRS 16.505 to 16.652 ~~and~~
5 61.510 to 61.705~~, and 78.510 to 78.852~~. Notwithstanding any other evidence
6 of legislative intent, it is hereby declared to be the controlling legislative intent
7 that the provisions of KRS 16.505 to 16.652 ~~and~~ 61.510 to 61.705~~, and~~
8 ~~78.510 to 78.852~~ conform with federal statute or regulation and meet the
9 qualification requirements under 26 U.S.C. sec. 401(a), applicable federal
10 regulations, and other published guidance. Provisions of KRS 16.505 to
11 16.652 ~~and~~ 61.510 to 61.705~~, and 78.510 to 78.852~~ which conflict with
12 federal statute or regulation or qualification under 26 U.S.C. sec. 401(a),
13 applicable federal regulations, and other published guidance shall not be
14 available. The board shall have the authority to promulgate administrative
15 regulations to conform with federal statute and regulation and to meet the
16 qualification requirements under 26 U.S.C. sec. 401(a), including an
17 administrative regulation to comply with 26 U.S.C. sec. 401(a)(9). The board
18 shall have the authority to promulgate an administrative regulation to comply
19 with any consent decrees entered into by the board in Civil Action No.
20 3:99CV500(C) in order to bring the systems into compliance with the Age
21 Discrimination in Employment Act, 29 U.S.C. Section 621, et seq., as
22 amended.

23 (10) All employees of the board shall serve during its will and pleasure. Notwithstanding
24 any statute to the contrary, employees shall not be considered legislative agents
25 under KRS 6.611.

26 (11) The Attorney General, or an assistant designated by him, may attend each meeting
27 of the board and may receive the agenda, board minutes, and other information

1 distributed to trustees of the board upon request. The Attorney General may act as
2 legal adviser and attorney for the board, and the board may contract for legal
3 services, notwithstanding the limitations of KRS Chapter 12 or 13B.

4 (12) (a) The system shall publish an annual financial report showing all receipts,
5 disbursements, assets, and liabilities. The annual report shall include a copy of
6 an audit conducted in accordance with generally accepted auditing standards.
7 Except as provided by paragraph (b) of this subsection, the board may select
8 an independent certified public accountant or the Auditor of Public Accounts
9 to perform the audit. If the audit is performed by an independent certified
10 public accountant, the Auditor of Public Accounts shall not be required to
11 perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at
12 his discretion. All proceedings and records of the board shall be open for
13 inspection by the public. The system shall make copies of the audit required
14 by this subsection available for examination by any member, retiree, or
15 beneficiary in the office of the executive director of the Kentucky Retirement
16 Systems and in other places as necessary to make the audit available to all
17 members, retirees, and beneficiaries. A copy of the annual audit shall be sent
18 to the Legislative Research Commission no later than ten (10) days after
19 receipt by the board.

20 (b) At least once every five (5) years, the Auditor of Public Accounts shall
21 perform the audit described by this subsection, and the system shall reimburse
22 the Auditor of Public Accounts for all costs of the audit. The Auditor of
23 Public Accounts shall determine which fiscal year during the five (5) year
24 period the audit prescribed by this paragraph will be completed.

25 (13) All expenses incurred by or on behalf of the system and the board in the
26 administration of the system during a fiscal year shall be paid from the retirement
27 allowance account. Any other statute to the contrary notwithstanding, authorization

1 for all expenditures relating to the administrative operations of the system shall be
2 contained in the biennial budget unit request, branch budget recommendation, and
3 the financial plan adopted by the General Assembly pursuant to KRS Chapter 48.

4 (14) Any person adversely affected by a decision of the board, except as provided under
5 subsection (16) of this section or KRS 61.665, involving KRS 16.505 to 16.652
6 and 61.510 to 61.705~~, and 78.510 to 78.852~~, may appeal the decision of the
7 board to the Franklin Circuit Court within sixty (60) days of the board action.

8 (15) (a) A trustee shall discharge his duties as a trustee, including his duties as a
9 member of a committee:

- 10 1. In good faith;
- 11 2. On an informed basis; and
- 12 3. In a manner he honestly believes to be in the best interest of the
13 Kentucky Retirement Systems.

14 (b) A trustee discharges his duties on an informed basis if, when he makes an
15 inquiry into the business and affairs of the Kentucky Retirement Systems or
16 into a particular action to be taken or decision to be made, he exercises the
17 care an ordinary prudent person in a like position would exercise under similar
18 circumstances.

19 (c) In discharging his duties, a trustee may rely on information, opinions, reports,
20 or statements, including financial statements and other financial data, if
21 prepared or presented by:

- 22 1. One (1) or more officers or employees of the Kentucky Retirement
23 Systems whom the trustee honestly believes to be reliable and competent
24 in the matters presented;
- 25 2. Legal counsel, public accountants, actuaries, or other persons as to
26 matters the trustee honestly believes are within the person's professional
27 or expert competence; or

- 1 3. A committee of the board of trustees of which he is not a member if the
2 trustee honestly believes the committee merits confidence.
- 3 (d) A trustee shall not be considered as acting in good faith if he has knowledge
4 concerning the matter in question that makes reliance otherwise permitted by
5 paragraph (c) of this subsection unwarranted.
- 6 (e) Any action taken as a trustee, or any failure to take any action as a trustee,
7 shall not be the basis for monetary damages or injunctive relief unless:
- 8 1. The trustee has breached or failed to perform the duties of the trustee's
9 office in compliance with this section; and
- 10 2. In the case of an action for monetary damages, the breach or failure to
11 perform constitutes willful misconduct or wanton or reckless disregard
12 for human rights, safety, or property.
- 13 (f) A person bringing an action for monetary damages under this section shall
14 have the burden of proving by clear and convincing evidence the provisions of
15 paragraph (e)1. and 2. of this subsection, and the burden of proving that the
16 breach or failure to perform was the legal cause of damages suffered by the
17 Kentucky Retirement Systems.
- 18 (g) Nothing in this section shall eliminate or limit the liability of any trustee for
19 any act or omission occurring prior to July 15, 1988.
- 20 (h) In discharging his or her administrative duties under this section, a trustee
21 shall strive to administer the retirement system in an efficient and cost-
22 effective manner for the taxpayers of the Commonwealth of Kentucky.
- 23 (16) When an order by the system substantially impairs the benefits or rights of a
24 member, retired member, or recipient, except action which relates to entitlement to
25 disability benefits, or when an employer disagrees with an order of the system as
26 provided by KRS 61.598, the affected member, retired member, recipient, or
27 employer may request a hearing to be held in accordance with KRS Chapter 13B.

1 The board may establish an appeals committee whose members shall be appointed
2 by the chair and who shall have authority to act upon the recommendations and
3 reports of the hearing officer on behalf of the board. The member, retired member,
4 recipient, or employer aggrieved by a final order of the board following the hearing
5 may appeal the decision to the Franklin Circuit Court, in accordance with KRS
6 Chapter 13B.

7 (17) The board shall give the Kentucky Education Support Personnel Association
8 twenty-four (24) hours notice of the board meetings, to the extent possible.

9 (18) The board shall establish a formal trustee education program for all trustees of the
10 board. The program shall include but not be limited to the following:

11 (a) A required orientation program for all new trustees elected or appointed to the
12 board. The orientation program shall include training on:

- 13 1. Benefits and benefits administration;
- 14 2. Investment concepts, policies, and current composition and
15 administration of retirement systems investments;
- 16 3. Laws, bylaws, and administrative regulations pertaining to the
17 retirement systems and to fiduciaries; and
- 18 4. Actuarial and financial concepts pertaining to the retirement systems.

19 If a trustee fails to complete the orientation program within one (1) year from
20 the beginning of his or her first term on the board, the retirement systems shall
21 withhold payment of the per diem and travel expenses due to the board
22 member under this section and KRS 16.640 ~~and 78.780~~ until the trustee has
23 completed the orientation program;

24 (b) Annual required training for board members on the administration, benefits,
25 financing, and investing of the retirement systems. If a trustee fails to
26 complete the annual required training during the calendar or fiscal year, the
27 retirement systems shall withhold payment of the per diem and travel

1 expenses due to the board member under this section and KRS 16.640 and
2 78.780 until the board member has met the annual training requirements; and

3 (c) The retirement systems shall incorporate by reference in an administrative
4 regulation, pursuant to KRS 13A.2251, the trustee education program.

5 (19) In order to improve public transparency regarding the administration of the systems,
6 the board of trustees shall adopt a best practices model by posting the following
7 information to the retirement systems' Web site and shall make available to the
8 public:

9 (a) Meeting notices and agendas for all meetings of the board. Notices and
10 agendas shall be posted to the retirement systems' Web site at least seventy-
11 two (72) hours in advance of the board or committee meetings, except in the
12 case of special or emergency meetings as provided by KRS 61.823;

13 (b) The Comprehensive Annual Financial Report with the information as follows:
14 1. A general overview and update on the retirement systems by the
15 executive director;
16 2. A listing of the board of trustees;
17 3. A listing of key staff;
18 4. An organizational chart;
19 5. Financial information, including a statement of plan net assets, a
20 statement of changes in plan net assets, an actuarial value of assets, a
21 schedule of investments, a statement of funded status and funding
22 progress, and other supporting data;
23 6. Investment information, including a general overview, a list of the
24 retirement system's professional consultants, a total return on retirement
25 systems investments over a historical period, an investment summary,
26 contracted investment management expenses, transaction commissions,
27 and a schedule of investments;

- 1 7. The annual actuarial valuation report on the pension benefit and the
2 medical insurance benefit; and
- 3 8. A general statistical section, including information on contributions,
4 benefit payouts, and retirement systems' demographic data;
- 5 (c) All external audits;
- 6 (d) All board minutes or other materials that require adoption or ratification by
7 the board of trustees. The items listed in this paragraph shall be posted within
8 seventy-two (72) hours of adoption or ratification of the board;
- 9 (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;
- 10 (f) The retirement systems' summary plan description;
- 11 (g) A document containing an unofficial copy of the statutes governing the
12 systems administered by Kentucky Retirement Systems;
- 13 (h) A listing of the members of the board of trustees and membership on each
14 committee established by the board, including any investment committees;
- 15 (i) All investment holdings and commissions for each fund administered by the
16 board. The board shall update the list of holdings and commissions on a
17 quarterly basis for fiscal years beginning on or after July 1, 2008;
- 18 (j) An update of investment returns, asset allocations, and the performance of the
19 funds against benchmarks adopted by the board for each fund and for each
20 asset class administered by the board. The update shall be posted on a
21 quarterly basis for fiscal years beginning on or after July 1, 2008;
- 22 (k) A searchable database of the systems' expenditures and a listing of each
23 individual employed by the systems along with the employee's salary or
24 wages. In lieu of posting the information required by this paragraph to the
25 systems' Web site, the systems may provide the information through a Web
26 site established by the executive branch to inform the public about executive
27 branch agency expenditures and public employee salaries and wages. No

1 provision of this paragraph shall require the systems to disclose confidential
2 member information protected under KRS 61.661; and

3 (l) Information regarding the systems' financial and actuarial condition that is
4 easily understood by the members, retired members, and the public.

5 (20) Notwithstanding the requirements of subsection (19) of this section, the retirement
6 systems shall not be required to furnish information that is protected under KRS
7 61.661, exempt under KRS 61.878, or that, if disclosed, would compromise the
8 retirement systems' ability to competitively invest in real estate or other asset
9 classes, or to competitively negotiate vendor fees.

10 (21) Notwithstanding any other provision of KRS 16.505 to 16.652 and ~~61.510 to~~
11 ~~61.705~~, ~~and 78.510 to 78.852~~ to the contrary, no funds of the systems
12 administered by Kentucky Retirement Systems, including fees and commissions
13 paid to an investment manager, private fund, or company issuing securities, who
14 manages systems assets, shall be used to pay fees and commissions to unregulated
15 placement agents. For purposes of this subsection, "unregulated placement agent"
16 means an individual or firm who solicits investments on behalf of an investment
17 manager, private fund, or company issuing securities, who is prohibited by federal
18 securities laws and regulations promulgated thereunder from receiving
19 compensation for soliciting a government agency.

20 ➔Section 88. KRS 61.650 is amended to read as follows:

21 (1) (a) The board shall be the trustee of the several funds created by KRS 16.510,
22 61.515, and 61.701, ~~and 78.520,~~ notwithstanding the provisions of any other
23 statute to the contrary, and shall have exclusive power to invest and reinvest
24 such funds in accordance with federal law.

25 (b) 1. The board shall establish an investment committee whose membership
26 shall be composed of the following:

27 a. At least (3) ~~The two (2)~~ trustees appointed by the Governor

- 1 pursuant to paragraph (1)(d)2. of Section 87 of this Act~~[KRS~~
2 ~~61.645(1)(e)5]~~.; and
- 3 b. Additional~~[Three (3)]~~ trustees appointed by the board chair.
- 4 2. The investment committee shall have authority to implement the
5 investment policies adopted by the board and act on behalf of the board
6 on all investment-related matters and to acquire, sell, safeguard,
7 monitor, and manage the assets and securities of the several funds.
- 8 (c) A trustee, officer, employee, or other fiduciary shall discharge duties with
9 respect to the retirement system:
- 10 1. Solely in the interest of the members and beneficiaries;
- 11 2. For the exclusive purpose of providing benefits to members and
12 beneficiaries and paying reasonable expenses of administering the
13 system;
- 14 3. With the care, skill, and caution under the circumstances then prevailing
15 that a prudent person acting in a like capacity and familiar with those
16 matters would use in the conduct of an activity of like character and
17 purpose;
- 18 4. Impartially, taking into account any differing interests of members and
19 beneficiaries;
- 20 5. Incurring any costs that are appropriate and reasonable; and
- 21 6. In accordance with a good-faith interpretation of the law governing the
22 retirement system.
- 23 (2) All securities acquired under authority of KRS 61.510 to 61.705 shall be registered
24 in the name "Kentucky Retirement Systems" or nominee name as provided by KRS
25 286.3-225 and every change in registration, by reason of sale or assignment of such
26 securities, shall be accomplished pursuant to written policies adopted by the board.
- 27 (3) The board, in keeping with its responsibility as trustee and wherever consistent with

1 its fiduciary responsibilities, shall give priority to the investment of funds in
2 obligation calculated to improve the industrial development and enhance the
3 economic welfare of the Commonwealth.

4 (4) The contents of real estate appraisals, engineering or feasibility estimates, and
5 evaluations made by or for the system relative to the acquisition or disposition of
6 property, until such time as all of the property has been acquired or sold, shall be
7 excluded from the application of KRS 61.870 to 61.884 and shall be subject to
8 inspection only upon order of a court of competent jurisdiction.

9 (5) Based upon market value at the time of purchase, the board shall limit the amount
10 of assets managed by any one (1) active or passive investment manager to fifteen
11 percent (15%) of the assets in the pension and insurance funds.

12 ➔Section 89. KRS 61.652 is amended to read as follows:

13 (1) The Kentucky Employees Excess Benefit Plan established in KRS 61.663~~[, the~~
14 ~~County Employees Excess Benefit Plan established in KRS 78.652,]~~ and the State
15 Police Excess Benefit Plan established in KRS 16.568 shall be administered by the
16 board of trustees of the Kentucky Retirement Systems. The board shall have the
17 same authority in its administration as it has in the administration of the Kentucky
18 Employees Retirement System~~[, the County Employees Retirement System,]~~ and
19 the State Police Retirement System.

20 (2) The plans shall constitute qualified governmental excess benefit plans as provided
21 in 26 U.S.C. sec. 415(m).

22 (3) All retired members and beneficiaries of the three (3) retirement systems
23 administered by the Kentucky Retirement Systems whose effective retirement dates
24 are July 1, 1998, or after, and whose retirement allowances have been limited by 26
25 U.S.C. sec. 415 shall be participants in the plans. Each member's participation in the
26 plans shall be determined each fiscal year and will cease for any year in which the
27 retirement allowance is not limited by 26 U.S.C. sec. 415.

- 1 (4) A participant shall receive a benefit equal to the difference between the retirement
2 allowance otherwise payable from the system prior to any reduction or limitation
3 required by 26 U.S.C. sec. 415 and the actual retirement allowance payable as
4 limited by 26 U.S.C. sec. 415. The benefit shall be subject to withholding for
5 applicable state and federal taxes. The benefit shall be paid in accordance with the
6 retirement payment option selected by the member or beneficiary for the retirement
7 allowance.
- 8 (5) (a) The board, in accordance with the recommendation of the actuary, shall
9 determine the required contribution for each of the two (2)~~three (3)~~ plans to
10 pay benefits each fiscal year. The required contribution for each of the two
11 (2)~~three (3)~~ plans in each fiscal year shall be the total amount of benefits
12 payable under this section to all participants plus the amount required to pay
13 the administrative expenses of the plan and the employer's share of any
14 employment taxes on the benefits paid from the plan.
- 15 (b) The required contribution shall be paid by the participating employers.
- 16 (c) The required contribution for each plan shall be deposited into the separate
17 fund. The plan is intended to be exempt from federal income tax under 26
18 U.S.C. sec. 115 and 26 U.S.C. sec. 415(m)(1).
- 19 (d) The benefit liability of each plan shall be determined on a fiscal year basis,
20 and contributions shall not be accumulated to pay benefits in future fiscal
21 years. Any assets of the plans not used to pay benefits in the current fiscal year
22 shall be used for payment of the administrative expenses of the plan for the
23 current or future fiscal years or shall be paid to the appropriate retirement
24 system as an additional employer contribution.
- 25 (6) The benefits payable from the plans shall be treated in accordance with KRS
26 61.690.
- 27 (7) The board shall promulgate administrative regulations to modify the benefits

1 payable under the plans as necessary for the plans to be qualified under 26 U.S.C.
2 sec. 415(m).

3 (8) The provisions of this section, and any administrative regulations promulgated as a
4 result of this section, shall be applied retroactively to retired members, and
5 beneficiaries, whose effective retirement dates are between July 1, 1998, and July
6 14, 2000.

7 ➔Section 90. KRS 61.660 is amended to read as follows:

8 (1) The State Treasurer shall be the custodian of the funds received under authority of
9 KRS 61.510 to 61.705 and 16.510 to 16.652 ~~and 78.510 to 78.852~~ and shall be
10 responsible for the safekeeping of all cash and securities in his custody. All
11 payments from the fund shall be made by him on warrants issued by the Finance
12 and Administration Cabinet. Payments may be in the form of checks, which shall
13 clearly show on the envelope or other mailing device the name and address of the
14 Kentucky Retirement Systems, or direct deposit bank transfers.

15 (2) The board shall appoint a custodian or custodians of the cash and securities
16 acquired under authority of KRS 61.510 to 61.705 and 16.510 to 16.652 ~~and~~
17 ~~78.510 to 78.852~~; and the custodian or custodians shall be responsible for the
18 safekeeping of all cash and securities in his custody.

19 ➔Section 91. KRS 61.665 is amended to read as follows:

20 (1) The board shall employ at least three (3) physicians, licensed in the state and not
21 members of the system, upon terms and conditions it prescribes to serve as medical
22 examiners, whose duty it shall be to pass upon all medical examinations required
23 under KRS 61.510 to 61.705 and 16.505 to 16.652 ~~and 78.510 to 78.852~~, to
24 investigate all health or medical statements and certificates made by or in behalf of
25 any person in connection with the payment of money to the person under KRS
26 61.510 to 61.705 and 16.505 to 16.652 ~~and 78.510 to 78.852~~, and who shall
27 report in writing to the system the conclusions and recommendations upon all

1 matters referred to them. The board may employ one (1) or more licensed mental
2 health professionals in making recommendations regarding mental impairments.

3 (2) (a) Each person requesting disability retirement shall file at the retirement office
4 an application for disability retirement and supporting medical information to
5 report the person's physical and mental condition. The person shall also file at
6 the retirement office a complete description of the job and duties from which
7 he received his last pay as well as evidence that the person has made a request
8 for reasonable accommodation as provided for in 42 U.S.C. sec. 12111(9) and
9 29 C.F.R. Part 1630. The person shall certify to the retirement office that the
10 application for disability retirement and supporting medical information are
11 ready to be evaluated by the medical examiners in accordance with paragraph
12 (d) of this subsection. If, after good faith efforts, the person informs the
13 system that he has been unable to obtain the employment or medical
14 information, the system shall assist the person in obtaining the records and
15 may use the authority granted pursuant to KRS 61.685(1) to obtain the
16 records. If the person fails to file, at the retirement office within one hundred
17 eighty (180) days of the date the person filed his notification of retirement,
18 any of the forms, certifications, or information required by this subsection, the
19 person's application for disability retirement shall be void. Any subsequent
20 filing of an application for disability retirement or supporting medical
21 information shall not be evaluated, except as provided in paragraph (f) of this
22 subsection or KRS 61.600(2).

23 (b) The employer shall file at the retirement office a complete description of the
24 job and duties for which the person was last paid and shall submit a detailed
25 description of reasonable accommodations attempted.

26 (c) The cost of medical examinations and the filing of the medical information,
27 reports, or data with the retirement office shall be paid by the person applying

1 for disability retirement.

2 (d) The system shall select three (3) medical examiners to evaluate the medical
3 evidence submitted by the person. The medical examiners shall recommend
4 that disability retirement be approved, or that disability retirement be denied.
5 If there is evidence of a mental impairment, the medical examiners may
6 request the board's licensed mental health professional to assist in determining
7 the level of the mental impairment.

8 (e) If two (2) or more of the three (3) medical examiners recommend that the
9 person be approved for disability retirement, the system shall make retirement
10 payments in accordance with the retirement plan selected by the person.

11 (f) If two (2) or more of the three (3) medical examiners recommend that the
12 person be denied disability retirement, the system shall send notice of this
13 recommendation by United States first-class mail to the person's last address
14 on file in the retirement office. The person shall have one hundred eighty
15 (180) days from the day that the system mailed the notice to file at the
16 retirement office additional supporting medical information and certify to the
17 retirement office that the application for disability retirement and supporting
18 medical information are ready to be evaluated by the medical examiners or to
19 appeal his denial of disability retirement by filing at the retirement office a
20 request for a formal hearing. Any subsequent filing of an application for
21 disability retirement or supporting medical information shall not be evaluated,
22 except as provided in KRS 61.600(2).

23 (g) If two (2) or more of the three (3) medical examiners recommend that the
24 person be approved for disability retirement based upon the evaluation of
25 additional supporting medical information in accordance with paragraph (f) of
26 this subsection, the system shall make retirement payments in accordance with
27 the retirement plan selected by the person.

- 1 (h) If two (2) or more of the three (3) medical examiners recommend that the
2 person be denied disability retirement based upon the evaluation of additional
3 supporting medical information in accordance with paragraph (f) of this
4 subsection, the system shall send notice of this recommendation by United
5 States first-class mail to the person's last address on file in the retirement
6 office. The person shall have one hundred eighty (180) days from the day that
7 the system mailed the notice to appeal his denial of disability retirement by
8 filing at the retirement office a request for a formal hearing.
- 9 (i) The medical examiners shall be paid a reasonable amount by the retirement
10 system for each case evaluated.
- 11 (j) Notwithstanding the foregoing provisions of this section, the system may pay
12 for one (1) or more medical examinations of the person requested by the
13 medical examiners for the purpose of providing medical information deemed
14 necessary by the medical examiners. The system may require the person to
15 submit to one (1) or more medical examinations.
- 16 (3) (a) Any person whose disability benefits have been reduced, discontinued, or
17 denied pursuant to subsection (2)(f) or (2)(h) of this section may file at the
18 retirement office a request for a formal hearing to be conducted in accordance
19 with KRS Chapter 13B. The right to demand a formal hearing shall be limited
20 to a period of one hundred eighty (180) days after the person had notice of the
21 system's determination, as described in subsection (2)(f) or (2)(h) of this
22 section. The request for a formal hearing shall be filed with the executive
23 director, at the retirement office in Frankfort. The request for a formal hearing
24 shall include a short and plain statement of the reasons the denial of disability
25 retirement is being contested.
- 26 (b) Failure of the person to request a formal hearing within the period of time
27 specified shall preclude the person from proceeding any further with the

1 application for disability retirement, except as provided in KRS 61.600(2).

2 This paragraph shall not limit the person's right to appeal to a court.

3 (c) The system may require the person requesting the formal hearing to submit to
4 one (1) or more medical or psychological examinations. Notice of the time
5 and place of the examination shall be mailed to the person or his legal
6 representative. The system shall be responsible for the cost of the
7 examination.

8 (d) A final order of the board shall be based on substantial evidence appearing in
9 the record as a whole and shall set forth the decision of the board and the facts
10 and law upon which the decision is based.

11 (e) All requests for a hearing pursuant to this section shall be made in writing.

12 (4) The board may establish an appeals committee whose members shall be appointed
13 by the chair and who shall have the authority to act upon the recommendations and
14 reports of the hearing officer pursuant to this section on behalf of the board.

15 (5) Any person aggrieved by a final order of the board may seek judicial review after all
16 administrative appeals have been exhausted by filing a petition for judicial review
17 in the Franklin Circuit Court in accordance with KRS Chapter 13B.

18 (6) The system, pursuant to regulations, may refer an employee determined by it to be
19 disabled to the Kentucky Office of Vocational Rehabilitation for evaluation and, if
20 appropriate, retraining.

21 (a) The cost of the evaluation and retraining shall be paid by the system in
22 accordance with the regulations established by the board.

23 (b) The member shall perform all acts that are necessary to enroll in and satisfy
24 the requirements of Vocational Rehabilitation as prescribed by the board. This
25 shall include the exchange of confidential information between Kentucky
26 Retirement Systems and the Kentucky Office of Vocational Rehabilitation as
27 necessary to conduct the rehabilitation process. Failure of the member to

1 cooperate with the system or Vocational Rehabilitation may result in his
2 disability allowance being discontinued, reduced, or denied until the member
3 complies with the agency requests. If the refusal continues for one (1) year, all
4 his rights to any further disability allowance shall cease.

5 ➔Section 92. KRS 61.670 is amended to read as follows:

- 6 (1) (a) As soon as practicable after its organization, the board shall adopt the
7 actuarial tables necessary for the administration of the system and for the
8 annual determination of actuarial assets and liabilities of the system.
- 9 (b) The board shall cause an actuarial valuation to be made annually. The
10 valuation shall at a minimum include:
- 11 1. A description of the actuarial assumptions used in the actuarial
12 valuation, which shall be reasonably related to the experience of the
13 system and represent the actuary's best estimate of anticipated
14 experience;
 - 15 2. A description of any funding methods utilized or required by state law in
16 the development of the actuarial valuation results;
 - 17 3. A description of any changes in actuarial assumptions and methods from
18 the previous year's actuarial valuation;
 - 19 4. The actuarially recommended contribution rate for employers for the
20 upcoming budget periods;
 - 21 5. A twenty (20) year projection of the funding levels, unfunded liabilities,
22 and actuarially recommended contribution rates for employers based
23 upon the actuarial assumptions, funding methods, and experience of the
24 system as of the valuation date; and
 - 25 6. A sensitivity analysis that evaluates the impact of changes in system
26 assumptions, including but not limited to the investment return
27 assumption, payroll growth assumption, and medical inflation rates, on

- 1 employer contribution rates, funding levels, and unfunded liabilities.
- 2 (c) At least once in each five (5) year period, the board shall cause an actuarial
3 investigation to be made of all the experience under the retirement system
4 relative to the actuarial assumptions and funding methods previously adopted
5 by the board. The actuarial investigation shall include at a minimum a
6 summary of the changes in actuarial assumptions and funding methods
7 recommended in the investigation and the projected impact of the
8 recommended changes on funding levels, unfunded liabilities, and actuarially
9 recommended contribution rates for employers over a twenty (20) year period.
- 10 (d) Pursuant to the actuarial investigation the board shall, from time to time,
11 revise the actuarial tables previously adopted by the board and shall thereupon
12 revise the bases of the rates of contributions required under KRS 61.510 to
13 61.692 ~~and~~ KRS 16.505 to 16.652~~, and KRS 78.510 to 78.852~~.
- 14 (e) For any change in actuarial assumptions, funding methods, retiree health
15 insurance premiums and subsidies, or any other decisions made by the board
16 that impact system liabilities and actuarially recommended contribution rates
17 for employers and that are not made in conjunction with the actuarial
18 investigation required by paragraph (c) of this subsection, an actuarial analysis
19 shall be completed showing the projected impact of the changes on funding
20 levels, unfunded liabilities, and actuarially recommended contribution rates
21 for employers over a twenty (20) year period.
- 22 (f) All actuarial investigations, analyses, and valuations shall be certified to the
23 board by an actuary who shall be a fellow of the Conference of Consulting
24 Actuaries or a member of the American Academy of Actuaries.
- 25 (2) A copy of each five (5) year actuarial investigation, actuarial analysis, and annual
26 valuation required by subsection (1) of this section shall be forwarded electronically
27 to the Legislative Research Commission no later than ten (10) days after receipt by

1 the board, and the Legislative Research Commission shall distribute the information
 2 received to the committee staff and co-chairs of any committee that has jurisdiction
 3 over the Kentucky Retirement Systems. The actuarial valuation required by
 4 subsection (1)(b) of this section shall be submitted no later than November 15
 5 following the close of the fiscal year.

6 (3) The Legislative Research Commission may employ an actuary with the same
 7 qualifications as the actuary employed by the board, and the board shall, free of
 8 charge, provide the actuary employed by the Commission with the same data
 9 provided to its own actuary, and any supplementary data he may require. The
 10 actuary employed by the Commission shall review the assumptions, determinations
 11 and recommendations of the board actuary, and legislative proposals related to the
 12 retirement systems, and report his findings to the Commission and to the board. The
 13 board shall pay fifty percent (50%) of the cost of the Commission's actuary, and the
 14 Commission shall pay the other fifty percent (50%).

15 ➔Section 93. KRS 61.675 is amended to read as follows:

16 (1) The employer shall prepare the records and, from time to time, shall furnish the
 17 information the system may require in the discharge of its duties. Upon employment
 18 of an employee, the employer shall inform him of his duties and obligations in
 19 connection with the system as a condition of employment.

20 (2) The system may at any time conduct an audit of the employer in order to determine
 21 if the employer is complying with the provisions of KRS 16.505 to 16.652 and ~~]~~
 22 61.610 to 61.705~~, or 78.510 to 78.852].~~ The system shall have access to and may
 23 examine all books, accounts, reports, correspondence files, and records of any
 24 employer. Every employer, employee, or agency reporting official of a department
 25 ~~for county, as defined in KRS 78.510(3),]~~ having records in his possession or under
 26 his control, shall permit access to and examination of the records upon the request
 27 of the system.

- 1 (3) (a) Any agency participating in the Kentucky Employees Retirement System
2 which is not an integral part of the executive branch of state government shall
3 file the following at the retirement office on or before the tenth day of the
4 month following the period being reported:
- 5 1. The employer and employee contributions required under KRS 61.560,
6 61.565, and 61.702;
 - 7 2. The employer contributions and reimbursements for retiree health
8 insurance premiums required under KRS 61.637; and
 - 9 3. A record of all contributions to the system on the forms prescribed by
10 the board.
- 11 (b) If the agency fails to file all contributions and reports on or before the tenth
12 day of the month following the period being reported, interest on the
13 delinquent contributions at the actuarial rate adopted by the board
14 compounded annually, but not less than one thousand dollars (\$1,000), shall
15 be added to the amount due the system.
- 16 ➔Section 94. KRS 61.680 is amended to read as follows:
- 17 (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to
18 any deduction from his compensation required by KRS 6.500 to 6.535, 16.505 to
19 16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions thereof.
20 Thereafter, employee contributions shall be picked up by the employer pursuant to
21 KRS 61.560(4).
 - 22 (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to
23 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714, upon
24 death, disability, or service retirement, a member's accounts under the
25 Legislators' Retirement Plan, State Police Retirement System, Kentucky
26 Employees Retirement System, County Employees Retirement System, and
27 Teachers' Retirement System, except for service prohibited by KRS

1 161.623(2), shall be consolidated for the purpose of determining eligibility
2 and amount of benefits, including those members who participate in the
3 hybrid cash balance plan within the Kentucky Employees Retirement System,
4 the County Employees Retirement System, and the State Police Retirement
5 System on or after January 1, 2014, and regardless of the transition of
6 administration of the County Employees Retirement System as provided by
7 this Act. Vested service credit in a retirement system, other than the Teachers'
8 Retirement System, sponsored by a Kentucky institution of higher education
9 and accepted by the Kentucky Employees Retirement System or the County
10 Employees Retirement System, may be used to determine eligibility for
11 twenty-seven (27) year retirement for an employee who begins participating
12 before September 1, 2008, but not the amount of benefits. The computation of
13 benefits shall be based on the applicable formula in each system and service
14 credit in each system, but the final compensation, excluding compensation
15 earned under KRS 161.155(10), shall be determined as if all service were in
16 one (1) system. If the member has prior service in more than one (1) system,
17 he shall obtain at least twelve (12) months' current service in each system in
18 which he has prior service in order to validate the prior service in each system
19 for purposes of determining consolidated benefits under this section. Upon the
20 determination of benefits, each system shall pay the applicable percentage of
21 total benefits.

22 (b) The provisions of paragraph (a) of this subsection shall be waived if the
23 member notifies the system of his desire to maintain separate retirement
24 accounts in the State Police Retirement System, Kentucky Employees
25 Retirement System, or County Employees Retirement System.

26 (c) If the member has not contributed at least one (1) year in a system in which he
27 has prior service, his current service in the system shall be valid for purposes

1 of determining eligibility and in computation of benefits on a consolidated
2 basis.

3 (3) A member with service credit in the Kentucky Employees Retirement System, State
4 Police Retirement System, or the County Employees Retirement System who
5 becomes the holder of an office entitling him to membership in the Judicial
6 Retirement Plan or the Legislators' Retirement Plan, but who does not elect within
7 thirty (30) days after taking office in such service to participate in the plan, in
8 accordance with KRS 6.505 or 21.360, shall be deemed to have elected to retain
9 membership in the system in which he is a member, either the Kentucky Employees
10 Retirement System, State Police Retirement System, or the County Employees
11 Retirement System. In that event, the agency employing the member shall withhold
12 employee contributions, or picked-up employee contributions after August 2, 1982,
13 make employer contributions and remit these contributions to the system in which
14 the member retained his membership. Any person entitled to membership in the
15 Judicial Retirement Plan or the Legislators' Retirement Plan, who does not elect
16 within thirty (30) days after taking office to participate in the plan, in accordance
17 with KRS 6.505 or 21.360, and who at the time of taking office is not a contributing
18 member of, or does not have service credit in, any of the retirement systems
19 mentioned in this section, or the Teachers' Retirement System, shall participate in
20 the Kentucky Employees Retirement System. A member of one (1) of the state-
21 administered retirement plans who ceases to contribute to the plan as provided in
22 KRS 21.360 and who is employed in a nonelected position by an agency
23 participating in the Kentucky Retirement Systems or Kentucky Teachers'
24 Retirement System shall be deemed to have elected membership in the system in
25 which the employer of the nonelected position participates. A member of one (1) of
26 the state-administered retirement plans who ceases to contribute to the plan as
27 provided in KRS 21.360 and who is not employed in a nonelected position by an

1 agency participating in the Kentucky Retirement Systems shall be deemed to have
2 elected membership in the Kentucky Employees Retirement System.

- 3 (4) (a) Prior to July 1, 1976, a person entering the service of an employer
4 participating in the Kentucky Employees Retirement System or the County
5 Employees Retirement System with service credit in the Teachers' Retirement
6 System and who desires to retain membership in the Teachers' Retirement
7 System, and who is permitted by that system to continue, shall be exempt
8 from participating in the Kentucky Employees Retirement System or the
9 County Employees Retirement System.
- 10 (b) Any person who has elected to retain membership in the Teachers' Retirement
11 System as provided in paragraph (a) of this subsection may cancel his election
12 and participate in the system under which his position would normally
13 participate, if he elects to cancel his option prior to January 1, 1977.
- 14 (c) Any member of the General Assembly who upon election is a contributing
15 member of the Teachers' Retirement System and who does not elect within
16 thirty (30) days after taking office to participate in the Legislators' Retirement
17 Plan, in accordance with KRS 6.505, shall during his term of office participate
18 in the Kentucky Employees Retirement System unless an election to retain
19 membership in the Teachers' Retirement System is filed in writing within
20 ninety (90) days after his term of office begins. No contributions may be made
21 to the Teachers' Retirement System for the same period of service under the
22 Legislators' Retirement Plan or the Kentucky Employees Retirement System
23 as a member of the General Assembly, but contributions made to the Teachers'
24 Retirement System while a member of the General Assembly shall be
25 transferred to the Legislators' Retirement Plan, as provided for in KRS 6.535,
26 when the member elects to join the Legislators' Retirement Plan, and service
27 credit in the Legislators' Retirement Plan shall be granted as provided for in

1 KRS 6.505(5).

2 (5) Effective July 1, 1974, any member of the Kentucky Employees Retirement System
3 or County Employees Retirement System who is working in a position covered by
4 one (1) of these retirement systems and his employee contributions, service credit
5 and employer contributions made on his behalf are being transferred to the other
6 retirement system shall contribute to the system in which his employer participates,
7 or after August 1, 1982, the employer shall pick up the employee contributions, and
8 no further contributions or service credit shall be transferred to the system in which
9 he elected to retain membership, as subsection (2) of this section eliminates the
10 necessity of the transfers.

11 (6) Any member of the Kentucky Employees Retirement System or County Employees
12 Retirement System who is working in more than one (1) position covered by the
13 same retirement system, shall have his wages and contributions consolidated and his
14 retirement account administered as a single account. If part-time positions are
15 involved, an accumulation of all hours worked within the same retirement system
16 shall be used to determine eligibility under KRS 61.510(21).

17 (7) Notwithstanding the provisions of subsection (2) of this section, a person who does
18 not have the amount of service required for service retirement in the State Police
19 Retirement System, Kentucky Employees Retirement System, County Employees
20 Retirement System, Legislators' Retirement Plan, or Teachers' Retirement System,
21 but who is a member of one (1) of the systems or is a former member of one (1) or
22 more of the systems with valid service credit therein, shall become eligible for
23 service retirement benefits attributable to the amount of his actual service credit in
24 each system in which he has service credit when his combined service credit in all
25 the systems, plus any service credit he has in the Judicial Retirement Plan, is equal
26 to that required for service retirement in each respective system. The computation of
27 benefits shall be based on the applicable formula in each system and service credit

1 in each system, except that total service in all systems, unless prohibited by KRS
2 161.623(2), shall be used to determine the reduction for early retirement, if any.
3 Except as provided in KRS 21.360, the final compensation shall be determined by
4 using the creditable compensation reported to the State Police Retirement System,
5 Kentucky Employees Retirement System, County Employees Retirement System,
6 Legislators' Retirement Plan, or Teachers' Retirement System and only as much of
7 the compensation earned in the Judicial Retirement Plan as is needed to satisfy the
8 final compensation requirement applicable in the respective retirement systems.

9 (8) Each retirement system from which the member retires shall pay a retirement
10 allowance upon receipt of required forms and documents, except that no retirement
11 system shall pay a retirement allowance or annuity until all forms and documents
12 are filed at all retirement systems in compliance with each system's requirements.

13 ➔Section 95. KRS 61.690 is amended to read as follows:

14 (1) Except as otherwise provided by this section and KRS 61.705(4), all retirement
15 allowances and other benefits accrued or accruing to any person under the
16 provisions of KRS 61.510 to 61.705 and~~[,]~~ 16.505 to 16.652~~[,]~~~~and 78.510 to~~
17 ~~78.852~~, and the accumulated account balance and cash securities in the funds
18 created under KRS 61.510 to 61.705 and~~[,]~~ 16.505 to 16.652~~[,]~~~~and 78.510 to~~
19 ~~78.852~~, are hereby exempt from any state, county, or municipal tax, and shall not
20 be subject to execution, attachment, garnishment, or any other process, and shall not
21 be assigned.

22 (2) Notwithstanding the provisions of subsection (1) of this section, retirement benefits
23 accrued or accruing to any person under the provisions of KRS 61.510 to 61.705
24 and~~[,]~~ 16.505 to 16.652~~[,]~~~~and 78.510 to 78.852~~ on or after January 1, 1998, shall
25 be subject to the tax imposed by KRS 141.020, to the extent provided in KRS
26 141.010 and 141.0215.

27 (3) Qualified domestic relations orders issued by a court or administrative agency shall

1 be honored by the retirement system if:

2 (a) The benefits payable pursuant to the order meet the requirements of a
3 qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The
4 retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)
5 in administering qualified domestic relations orders;

6 (b) The order meets the requirements established by the retirement system and by
7 subsections (3) to (11) of this section. The board of trustees of the retirement
8 system shall establish the requirements, procedures, and forms necessary for
9 the administration of qualified domestic relations orders by promulgation of
10 administrative regulations in accordance with KRS Chapter 13A; and

11 (c) The order is on the form established by the retirement system pursuant to the
12 retirement system's authority provided under paragraph (3)(b) of this
13 subsection.

14 (4) A qualified domestic relations order shall not:

15 (a) Require the retirement system to take any action not authorized under state or
16 federal law;

17 (b) Require the retirement system to provide any benefit, allowance, or other
18 payment not authorized under state or federal law;

19 (c) Grant or be construed to grant the alternate payee any separate right, title, or
20 interest in or to any retirement benefit other than to receive payments from the
21 participant's account in accordance with the administrative regulations
22 promulgated by the retirement system and as provided by subsections (3) to
23 (11) of this section; or

24 (d) Grant any separate interest to any person other than the participant.

25 (5) Any qualified domestic relations order submitted to the retirement system shall
26 specify the dollar amount or percentage amount of the participant's benefit to be
27 paid to the alternate payee. In calculating the amount to be paid to the alternate

1 payee, the court or administrative agency that is responsible for issuing the order
2 shall follow the requirements set forth in the administrative regulations promulgated
3 by the board of trustees. Notwithstanding any other statute to the contrary, the board
4 shall not be required to honor a qualified domestic relations order that does not
5 follow the requirements set forth in the administrative regulations promulgated by
6 the board of trustees.

- 7 (6) If the qualified domestic relations order meets the requirements established by the
8 system and by subsections (3) to (11) of this section, payments to the alternate
9 payee shall begin under the following conditions:
- 10 (a) If the participant is retired and is receiving a monthly retirement allowance,
11 the month following the date the retirement system receives a qualified
12 domestic relations order that complies with the administrative regulations
13 promulgated by the retirement system and subsections (3) to (11) of this
14 section; or
- 15 (b) If the participant is not retired, the month of the participant's effective
16 retirement date in which the first retirement allowance is payable to the
17 participant or the month in which the participant receives a refund of his or
18 her accumulated account balance as provided by KRS 61.625.
- 19 (7) An alternate payee's benefits and rights under a qualified domestic relations order
20 shall terminate upon the earlier of:
- 21 (a) The death of the participant;
- 22 (b) The death of the alternate payee; or
- 23 (c) The termination of the participant's benefits under any of the provisions of
24 KRS 16.505 to 16.652 and [;] 61.510 to 61.705 [; and 78.510 to 78.852].
- 25 (8) An alternate payee shall not receive a monthly payment under a qualified domestic
26 relations order if the participant is not receiving a monthly retirement allowance.
- 27 (9) The cost of living adjustment provided to the participant pursuant to KRS 61.691

1 shall be divided between the participant and alternate payee in a qualified domestic
2 relations order as follows:

3 (a) If the order specifies the alternate payee is to receive a percentage of the
4 participant's benefit, then the cost of living adjustment shall be divided
5 between the participant and the alternate payee based upon the percentage of
6 the total benefit each is receiving upon the participant's retirement or upon the
7 date the order is approved by the retirement system, whichever is later; or

8 (b) If the order specifies that the alternate payee is to receive a set dollar amount
9 of the participant's benefit, then the order shall specify that:

10 1. The cost of living adjustment shall be divided between the participant
11 and the alternate payee based upon the percentage of the total benefit
12 each is receiving upon the participant's retirement or upon the date the
13 order is approved by the retirement system, whichever is later; or

14 2. The alternate payee shall receive no cost of living adjustment.

15 If the order does not specify the division of the cost of living adjustment as
16 required by this paragraph, then no cost of living adjustment shall be payable
17 to the alternate payee. If no cost of living adjustment is provided to the
18 alternate payee, then the participant shall receive the full cost of living
19 adjustment he or she would have received if the order had not been applied to
20 the participant's account.

21 (10) Except in cases involving child support payments, the retirement system may charge
22 reasonable and necessary fees and expenses to the recipient and the alternate payee
23 of a qualified domestic relations order for the administration of the qualified
24 domestic relations order by the retirement system. All fees and expenses shall be
25 established by administrative regulations promulgated by the board of trustees of
26 the retirement system. The qualified domestic relations order shall specify whether
27 the fees and expenses provided by this subsection shall be paid:

- 1 (a) Solely by the participant;
- 2 (b) Solely by the alternate payee; or
- 3 (c) Equally shared by the participant and alternate payee.
- 4 (11) The retirement system shall honor a qualified domestic relations order issued prior
- 5 to July 15, 2010, if:
- 6 (a) The order was on file and approved by the retirement system prior to July 15,
- 7 2010. All benefits, including cost of living adjustments payable to the
- 8 alternate payee, for orders that meet the requirements of this paragraph shall
- 9 not be eliminated or reduced as a result of the provisions of subsections (3) to
- 10 (10) of this section and KRS 61.510(27)~~and 78.510(26)~~; or
- 11 (b) The order or an amended version of the order meets the requirements
- 12 established by this section and the administrative regulations promulgated by
- 13 the retirement system. The order shall not apply to benefit payments issued by
- 14 the retirement system prior to the date the order was approved by the
- 15 retirement system.

16 ➔Section 96. KRS 61.691 is amended to read as follows:

- 17 (1) Effective August 1, 1996, to July 1, 2008, a recipient of a retirement allowance
- 18 under KRS 16.505 to 16.652 and~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~ shall
- 19 have his retirement allowance increased on July 1 of each year by the percentage
- 20 increase in the annual average of the consumer price index for all urban consumers
- 21 for the most recent calendar year as published by the federal Bureau of Labor
- 22 Statistics, not to exceed five percent (5%). In determining the annual employer
- 23 contribution rate, only the cost of increases granted as of the most recent valuation
- 24 date shall be recognized. The benefits of this subsection as provided on August 1,
- 25 1996, to July 1, 2008, shall not be considered as benefits protected by the inviolable
- 26 contract provisions of KRS 16.652 and~~[,]~~ 61.692~~[, and 78.852]~~. The General
- 27 Assembly reserves the right to suspend or reduce the benefits conferred in this

1 subsection if in their judgment the welfare of the Commonwealth so demands.

2 (2) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a
3 retirement allowance under KRS 16.505 to 16.652 ~~and~~ 61.510 to 61.705~~,
4 and 78.510 to 78.852~~ shall have his or her retirement allowance increased by
5 one and one-half percent (1.5%), if:

6 1. The funding level of the system is greater than one hundred percent
7 (100%) and subsequent legislation authorizes the use of any surplus
8 actuarial assets to provide an increase in retirement allowances
9 described by this subsection for the system which has the surplus
10 actuarial assets; or

11 2. The General Assembly appropriates sufficient funds or directs payment
12 of funds to fully prefund the increase described by this subsection in the
13 year the increase is provided.

14 (b) The board of trustees of the Kentucky Retirement Systems shall, at least thirty
15 (30) days prior to the beginning of regular sessions of the General Assembly
16 held in even-numbered years, advise the General Assembly of the following:

17 1. Which systems have a funding level greater than one hundred percent
18 (100%) and can support an increase in recipients' retirement allowances
19 as provided by paragraph (a) of this subsection over the next budget
20 biennium without reducing the funding level of the system below one
21 hundred percent (100%); and

22 2. If no surplus actuarial assets are available, the level of funds needed to
23 fully prefund an increase for system recipients over the next budget
24 biennium if a one and one-half percent (1.5%) increase is provided
25 annually over the biennium.

26 (c) For purposes of this subsection, "funding level" means the actuarial value of
27 assets divided by the actuarially accrued liability expressed as a percentage

1 that is determined and reported by the system's actuary in the system's
2 actuarial valuation.

3 (d) The full increase described by this subsection shall only be provided if the
4 recipient has been receiving a benefit for at least twelve (12) months prior to
5 the effective date of the increase. If the recipient has been receiving a benefit
6 for less than twelve (12) months prior to the effective date of the increase
7 provided by this subsection, the increase shall be reduced on a pro rata basis
8 for each month the recipient has not been receiving benefits in the twelve (12)
9 months preceding the effective date of the increase.

10 (e) In determining the annual employer contribution rate, only the cost of
11 increases granted as of the most recent valuation date shall be recognized.

12 (f) The benefits of this subsection as provided on July 1, 2009, and thereafter
13 shall not be considered as benefits protected by the inviolable contract
14 provisions of KRS 16.652 and 61.692~~, and 78.852~~. The General
15 Assembly reserves the right to suspend or reduce the benefits conferred in this
16 subsection if, in its judgment, the welfare of the Commonwealth so demands.

17 (3) A reemployed retired member whose payments are suspended as provided under
18 KRS 61.637 shall be eligible for an increase in his suspended retirement allowance
19 as provided under this section, computed as if he were receiving the retirement
20 allowance at the time the increase under this section is effective.

21 (4) In addition to the increase to a recipient's retirement allowance as provided by
22 subsection (2) of this section, the General Assembly may, by subsequent legislation,
23 provide supplemental increases to a recipient's retirement allowance to help adjust
24 for actual changes in the recipient's cost of living if the General Assembly
25 appropriates sufficient funds to fully prefund the benefit in the year the increase is
26 provided.

27 ➔Section 97. KRS 61.701 is amended to read as follows:

- 1 (1) (a) There is hereby created and established a trust fund to be known as "Kentucky
2 Retirement Systems insurance trust fund." All assets received in the trust fund
3 shall be deemed trust funds to be held and applied solely as provided in this
4 section. Assets of the trust fund shall not be used for any other purpose and
5 shall not be used to pay the claims of creditors or any individual, person, or
6 employer participating in the Kentucky Employees Retirement System~~],~~
7 ~~County Employees Retirement System,]~~ or State Police Retirement System.
- 8 (b) The trust fund is intended to be established as a trust exempt from taxation
9 under 26 U.S.C. sec. 115.
- 10 (2) The trust fund is created for the purpose of providing a trust separate from the
11 retirement funds. Trust fund assets are dedicated for use for health benefits as
12 provided in KRS 61.702, and as permitted under 26 U.S.C. secs. 105 and 106, to
13 retired recipients and employees of employers participating in the Kentucky
14 Employees Retirement System~~],~~ ~~County Employees Retirement System,]~~ and State
15 Police Retirement System, and to certain of their dependents or beneficiaries,
16 including but not limited to qualified beneficiaries as described in 42 U.S.C. secs.
17 300bb-1 et seq.
- 18 (3) The trust fund shall be administered by the board of trustees of the Kentucky
19 Retirement Systems and the board shall serve as trustees of the fund. The board
20 shall manage the assets of the fund in the same manner in which it administers the
21 retirement funds, except that separate accounting and financial reporting shall be
22 maintained for the trust fund.
- 23 (4) In addition to the requirements of subsection (2) of this section, the employers
24 participating in the trust fund are limited to the Commonwealth, political
25 subdivisions of the Commonwealth, and entities whose income is exempt from
26 taxation under 26 U.S.C. sec. 115. No other entity may participate in the trust fund.
- 27 (5) If the trust fund is terminated, the assets in the trust fund may revert, after the

1 payment of all liabilities, to the participating employers as determined by the board
2 of trustees.

3 (6) The board of trustees may adopt regulations and procedures and take all action
4 necessary and appropriate to provide that the income of the trust fund is exempt
5 from taxation under Title 26 of United States Code.

6 (7) The establishment of Kentucky Retirement Systems insurance trust fund shall not
7 diminish or expand the rights of any recipients, employees, or dependents to health
8 benefits.

9 ➔Section 98. KRS 61.702 is amended to read as follows:

- 10 (1) (a) 1. The board of trustees of Kentucky Retirement Systems shall arrange by
11 appropriate contract or on a self-insured basis to provide a group
12 hospital and medical insurance plan for present and future recipients of a
13 retirement allowance from the Kentucky Employees Retirement
14 System~~[, County Employees Retirement System,]~~ and State Police
15 Retirement System, except as provided in subsection (8) of this section.
16 The board shall also arrange to provide health care coverage through an
17 insurer licensed pursuant to Subtitle 38 of KRS Chapter 304 and
18 offering a managed care plan as defined in KRS 304.17A-500, as an
19 alternative to group hospital and medical insurance for any person
20 eligible for hospital and medical benefits under this section.
- 21 2. Any person who chooses coverage under a hospital and medical
22 insurance plan shall pay, by payroll deduction from the retirement
23 allowance or by another method, the difference in premium between the
24 cost of the hospital and medical insurance plan coverage and the benefits
25 to which he would be entitled under this section.
- 26 3. For purposes of this section, "hospital and medical insurance plan" may
27 include, at the board's discretion, any one (1) or more of the following:

- 1 a. Any hospital and medical expense policy or certificate, provider-
2 sponsored integrated health delivery network, self-insured medical
3 plan, health maintenance organization contract, or other health
4 benefit plan;
- 5 b. Any health savings account as permitted by 26 U.S.C. sec. 223 or
6 health reimbursement arrangement or a similar account as may be
7 permitted by 26 U.S.C. sec. 105 or 106. Such arrangement or
8 account, in the board's discretion, may reimburse any medical
9 expense permissible under 26 U.S.C. sec. 213; or
- 10 c. A medical insurance reimbursement program established by the
11 board through the promulgation of administrative regulation under
12 which members purchase individual health insurance coverage
13 through a health insurance exchange established under 42 U.S.C.
14 sec. 18031 or 18041.
- 15 (b) The board may authorize present and future recipients of a retirement
16 allowance from any of the three (3) retirement systems to be included in the
17 state employees' group for hospital and medical insurance and shall provide
18 benefits for recipients equal to those provided to state employees having the
19 same Medicare hospital and medical insurance eligibility status, except as
20 provided in subsection (8) of this section. Notwithstanding the provisions of
21 any other statute, recipients shall be included in the same class as current state
22 employees in determining medical insurance policies and premiums.
- 23 (c) For recipients of a retirement allowance who are not eligible for the same
24 level of hospital and medical benefits as recipients living in Kentucky having
25 the same Medicare hospital and medical insurance eligibility status, the board
26 shall provide a medical insurance reimbursement plan as described in
27 subsection (7) of this section.

1 (d) Notwithstanding anything in KRS Chapter 61 to the contrary, the board of
2 trustees, in its discretion, may take necessary steps to ensure compliance with
3 42 U.S.C. secs. 300bb-1 et seq., including but not limited to receiving
4 contributions and premiums from, and providing benefits pursuant to this
5 section to, persons entitled to continuation coverage under 42 U.S.C. secs.
6 300bb-1 et seq., regardless of whether such persons are recipients of a
7 retirement allowance.

8 (2) (a) Each employer participating in the State Police Retirement System as
9 provided for in KRS 16.505 to 16.652~~[, each employer participating in the~~
10 ~~County Employees Retirement System as provided in KRS 78.510 to 78.852,]~~
11 and each employer participating in the Kentucky Employees Retirement
12 System as provided for in KRS 61.510 to 61.705 shall contribute to the
13 Kentucky Retirement Systems insurance trust fund the amount necessary to
14 provide hospital and medical insurance as provided for under this section.
15 Such employer contribution rate shall be developed by appropriate actuarial
16 method as a part of the determination of each respective employer
17 contribution rate to each respective retirement system determined under KRS
18 61.565.

19 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
20 from the creditable compensation of each member having a membership
21 date on or after September 1, 2008, an amount equal to one percent (1%)
22 of the member's creditable compensation. The deducted amounts shall
23 be credited to accounts established pursuant to 26 U.S.C. sec. 401(h),
24 within the funds established in KRS 16.510 and~~[,]~~ 61.515~~[, and 78.520]~~.
25 2. The employer shall file the contributions as provided by subparagraph 1.
26 of this paragraph at the retirement office in accordance with KRS
27 61.675~~[and 78.625]~~. Any interest or penalties paid on any delinquent

1 contributions shall be credited to accounts established pursuant to 26
2 U.S.C. sec. 401(h), within the funds established in KRS 16.510 and[,] ~~61.515[, and 78.520]~~. Notwithstanding any minimum compensation
3 requirements provided by law, the deductions provided by this paragraph
4 shall be made, and the compensation of the member shall be reduced
5 accordingly.
6

7 3. Each employer shall submit payroll reports, contributions lists, and other
8 data as may be required by administrative regulation promulgated by the
9 board of trustees pursuant to KRS Chapter 13A.

10 4. Every member shall be deemed to consent and agree to the deductions
11 made pursuant to this paragraph, and the payment of salary or
12 compensation less the deductions shall be a full and complete discharge
13 of all claims for services rendered by the person during the period
14 covered by the payment, except as to any benefits provided by KRS
15 16.505 to 16.652 and[,] 61.510 to 61.705[, and ~~78.510 to 78.852~~]. No
16 member may elect whether to participate in, or choose the contribution
17 amount to accounts established pursuant to 26 U.S.C. sec. 401(h) within
18 the funds established in KRS 16.510 and[,] 61.515[, and ~~78.520~~]. The
19 member shall have no option to receive the contribution required by this
20 paragraph directly instead of having the contribution paid to accounts
21 established pursuant to 26 U.S.C. sec. 401(h) within the funds
22 established in KRS 16.510 and[,] 61.515[, and ~~78.520~~]. No member
23 may receive a rebate or refund of contributions. If a member establishes
24 a membership date prior to September 1, 2008, pursuant to KRS
25 61.552(1) or 61.552(22)[~~(23)~~], then this paragraph shall not apply to the
26 member and all contributions previously deducted in accordance with
27 this paragraph shall be refunded to the member without interest. The

1 contribution made pursuant to this paragraph shall not act as a reduction
2 or offset to any other contribution required of a member or recipient
3 under KRS 16.505 to 16.652 and, 61.510 to 61.705, ~~and 78.510 to~~
4 ~~78.852~~.

5 5. The board of trustees, at its discretion, may direct that the contributions
6 required by this paragraph be accounted for within accounts established
7 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
8 16.510 and, 61.515, ~~and 78.520~~ through the use of separate accounts.

9 (3) (a) The premium required to provide hospital and medical benefits under this
10 section shall be paid:

11 1. Wholly or partly from funds contributed by the recipient of a retirement
12 allowance, by payroll deduction, or otherwise;

13 2. Wholly or partly from funds contributed by the Kentucky Retirement
14 Systems insurance trust fund;

15 3. Wholly or partly from funds contributed to accounts established
16 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
17 16.510 and, 61.515, ~~and 78.520~~;

18 4. Wholly or partly from funds contributed by another state-administered
19 retirement system under a reciprocal arrangement, except that any
20 portion of the premium paid from the Kentucky Retirement Systems
21 insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
22 401(h) within the funds established in KRS 16.510 and, 61.515, ~~and~~
23 ~~78.520~~ under a reciprocal agreement shall not exceed the amount that
24 would be payable under this section if all the member's service were in
25 one (1) of the systems administered by the Kentucky Retirement
26 Systems;

27 5. Partly from subparagraphs 1. to 4. of this paragraph, except that any

1 premium for hospital and medical insurance over the amount contributed
2 by the Kentucky Retirement Systems insurance trust fund; accounts
3 established pursuant to 26 U.S.C. sec. 401(h) within the funds
4 established in KRS 16.510 and~~[,] 61.515[, and 78.520]~~; or another state-
5 administered retirement system under a reciprocal agreement shall be
6 paid by the recipient by an automatic electronic transfer of funds. If the
7 board provides for cross-referencing of insurance premiums, the
8 employer's contribution for the working member or spouse shall be
9 applied toward the premium, and the Kentucky Retirement Systems
10 insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
11 401(h) within the funds established in KRS 16.510 and~~[,] 61.515[, and~~
12 ~~78.520]~~ shall pay the balance, not to exceed the monthly contribution; or
13 6. In full from the Kentucky Retirement Systems insurance trust fund or
14 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
15 established in KRS 16.510 and~~[,] 61.515[, and 78.520]~~ for all recipients
16 of a retirement allowance from any of the three (3) retirement systems
17 where such recipient is a retired former member of one (1) or more of
18 the three (3) retirement systems (not a beneficiary or dependent child
19 receiving benefits) and had two hundred and forty (240) months or more
20 of service upon retirement. Should such recipient have less than two
21 hundred forty (240) months of service but have at least one hundred
22 eighty (180) months of service, seventy-five percent (75%) of such
23 premium shall be paid from the insurance trust fund or accounts
24 established pursuant to 26 U.S.C. sec. 401(h) within the funds
25 established in KRS 16.510 and~~[,] 61.515[, and 78.520]~~, provided such
26 recipient agrees to pay the remaining twenty-five percent (25%) by
27 payroll deduction from his retirement allowance or by another method.

1 Should such recipient have less than one hundred eighty (180) months of
2 service but have at least one hundred twenty (120) months of service,
3 fifty percent (50%) of such premium shall be paid from the insurance
4 trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h)
5 within the funds established in KRS 16.510 ~~and~~ 61.515~~, and 78.520~~,
6 provided such recipient agrees to pay the remaining fifty percent (50%)
7 by payroll deduction from his retirement allowance or by another
8 method. Should such recipient have less than one hundred twenty (120)
9 months of service but have at least forty-eight (48) months of service,
10 twenty-five percent (25%) of such premium shall be paid from the
11 insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
12 401(h) within the funds established in KRS 16.510 ~~and~~ 61.515~~, and~~
13 ~~78.520~~, provided such recipient agrees to pay the remaining seventy-
14 five percent (75%) by payroll deduction from his retirement allowance
15 or by another method. Notwithstanding the foregoing provisions of this
16 subsection, an employee participating in one (1) of the retirement
17 systems administered by the Kentucky Retirement Systems who
18 becomes disabled in the line of duty as defined in KRS 16.505(19) or
19 61.621, shall have his premium paid in full as if he had two hundred
20 forty (240) months or more of service. Further, an employee
21 participating in one (1) of the retirement systems administered by the
22 Kentucky Retirement Systems who is killed in the line of duty as
23 defined in KRS 16.505(19) or 61.621, shall have the premium for the
24 beneficiary, if the beneficiary is the member's spouse, and for each
25 dependent child paid so long as they individually remain eligible for a
26 monthly retirement benefit. "Months of service" as used in this section
27 shall mean the total months of combined service used to determine

1 benefits under any or all of the two (2)~~three (3)~~ retirement systems,
2 except service added to determine disability benefits shall not be
3 counted as "months of service." For current and former employees of the
4 Council on Postsecondary Education who were employed prior to
5 January 1, 1993, and who earn at least fifteen (15) years of service credit
6 in the Kentucky Employees Retirement System, "months of service"
7 shall also include vested service in another retirement system other than
8 the Kentucky Teachers' Retirement System sponsored by the Council on
9 Postsecondary Education.

- 10 (b) 1. For a member electing insurance coverage through the Kentucky
11 Retirement Systems, "months of service" shall include, in addition to
12 service as described in paragraph (a) of this subsection, service credit in
13 one (1) of the other state-administered retirement plans.
- 14 2. Effective August 1, 1998, the Kentucky Retirement Systems shall
15 compute the member's combined service, including service credit in
16 another state-administered retirement plan, and calculate the portion of
17 the member's premium to be paid by the insurance trust fund accounts
18 established pursuant to 26 U.S.C. sec. 401(h) within the funds
19 established in KRS 16.510 and~~[,] 61.515[, and 78.520]~~, according to the
20 criteria established in paragraph (a) of this subsection. Each state-
21 administered retirement plan annually shall pay to the insurance trust
22 fund the percentage of the system's cost of the retiree's monthly
23 contribution for single coverage for hospital and medical insurance
24 which shall be equal to the percentage of the member's number of
25 months of service in the other state-administered retirement plan divided
26 by his total combined service. The amounts paid by the other state-
27 administered retirement plans and the insurance trust fund or accounts

1 established pursuant to 26 U.S.C. sec. 401(h) within the funds
2 established in KRS 16.510 ~~and~~ 61.515~~, and 78.520~~ shall not be
3 more than one hundred percent (100%) of the monthly contribution
4 adopted by the respective boards of trustees.

5 3. A member may not elect coverage for hospital and medical benefits
6 under this subsection through more than one (1) of the state-
7 administered retirement plans.

8 4. A state-administered retirement plan shall not pay any portion of a
9 member's monthly contribution for medical insurance unless the member
10 is a recipient or annuitant of the plan.

11 5. The premium paid by the Kentucky Retirement Systems insurance trust
12 fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within
13 the funds established in KRS 16.510 ~~and~~ 61.515~~, and 78.520~~ shall
14 not exceed one hundred percent (100%) of the monthly contribution rate
15 toward hospital and medical insurance coverage approved by the board
16 of trustees of the Kentucky Retirement Systems.

17 (4) (a) Group rates under the hospital and medical insurance plan shall be made
18 available to the spouse, each dependent child, and each disabled child,
19 regardless of the disabled child's age, of a recipient who is a former member
20 or the beneficiary, if the premium for the hospital and medical insurance for
21 the spouse, each dependent child, and each disabled child, or beneficiary is
22 paid by payroll deduction from the retirement allowance or by another
23 method. For purposes of this subsection only, a child shall be considered
24 disabled if he has been determined to be eligible for federal Social Security
25 disability benefits or meets the dependent disability standard established by
26 the Department of Employee Insurance in the Personnel Cabinet.

27 (b) The other provisions of this section notwithstanding, the insurance trust fund

1 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
2 established in KRS 16.510 and[,] 61.515[, and 78.520] shall pay a percentage
3 of the monthly contribution for the spouse and for each dependent child of a
4 recipient who was a member of the General Assembly and is receiving a
5 retirement allowance based on General Assembly service, of the Kentucky
6 Employees Retirement System and determined to be in a hazardous position[,
7 of the County Employees Retirement System, and determined to be in a
8 hazardous position or of the State Police Retirement System]. The percentage
9 of the monthly contribution paid for the spouse and each dependent child of a
10 recipient who was in a hazardous position shall be based solely on the
11 member's service with the State Police Retirement System or service in a
12 hazardous position using the formula in subsection (3)(a) of this section[,
13 except that for any recipient of a retirement allowance from the County
14 Employees Retirement System who was contributing to the system on January
15 1, 1998, for service in a hazardous position, the percentage of the monthly
16 contribution shall be based on the total of hazardous service and any
17 nonhazardous service as a police or firefighter with the same agency, if that
18 agency was participating in the County Employees Retirement System but did
19 not offer hazardous duty coverage for its police and firefighters at the time of
20 initial participation].

- 21 (c) The insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
22 401(h) within the funds established in KRS 16.510 and[,] KRS 61.515[, and
23 78.520] shall continue the same level of coverage for a recipient who was a
24 member of the system[County Employees Retirement System] after the age of
25 sixty-five (65) as before the age of sixty-five (65), if the recipient is not
26 eligible for Medicare coverage. If the insurance trust fund or accounts
27 established pursuant to 26 U.S.C. sec. 401(h) within the funds established in

1 KRS 16.510 and[,] 61.515[, and 78.520] provides coverage for the spouse or
2 each dependent child of a former member of the system[~~County Employees~~
3 ~~Retirement System~~], the insurance trust fund or accounts established pursuant
4 to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 and[,]
5 61.515[, and 78.520] shall continue the same level of coverage for the spouse
6 or each dependent child after the age of sixty-five (65) as before the age of
7 sixty-five (65), if the spouse or dependent child is not eligible for Medicare
8 coverage.

9 (5) After July 1, 1998, notwithstanding any other provision to the contrary, a member
10 who holds a judicial office but did not elect to participate in the Judicial Retirement
11 Plan and is participating instead in the Kentucky Employees Retirement System[,
12 ~~the County Employees Retirement System, or the State Police Retirement System,~~
13 as provided in KRS 61.680, and who has at least twenty (20) years of total service,
14 one-half (1/2) of which is in a judicial office, shall receive the same hospital and
15 medical insurance benefits, including paid benefits for spouse and dependents, as
16 provided to persons retiring under the provisions of KRS 21.427. The
17 Administrative Office of the Courts shall pay the cost of the medical insurance
18 benefits provided by this subsection.

19 (6) Premiums paid for hospital and medical insurance coverage procured under
20 authority of this section shall be exempt from any premium tax which might
21 otherwise be required under KRS Chapter 136. The payment of premiums by the
22 insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h)
23 within the funds established in KRS 16.510 and[,] 61.515[, and 78.520] shall not
24 constitute taxable income to an insured recipient. No commission shall be paid for
25 hospital and medical insurance procured under authority of this section.

26 (7) The board shall promulgate an administrative regulation to establish a medical
27 insurance reimbursement plan to provide reimbursement for hospital and medical

1 insurance premiums of recipients of a retirement allowance who are not eligible for
2 the same level of hospital and medical benefits as recipients living in Kentucky and
3 having the same Medicare hospital and medical insurance eligibility status. An
4 eligible recipient shall file proof of payment for hospital and medical insurance at
5 the retirement office. Reimbursement to eligible recipients shall be made on a
6 quarterly basis. The recipient shall be eligible for reimbursement of substantiated
7 medical insurance premiums for an amount not to exceed the total monthly
8 premium determined under subsection (3) of this section. The plan shall not be
9 made available if all recipients are eligible for the same coverage as recipients
10 living in Kentucky.

11 (8) (a) 1. For employees having a membership date on or after July 1, 2003, and
12 before September 1, 2008, participation in the insurance benefits
13 provided under this section shall not be allowed until the employee has
14 earned at least one hundred twenty (120) months of service in the state-
15 administered retirement systems.

16 2. For an employee having a membership date on or after September 1,
17 2008, participation in the insurance benefits provided under this section
18 shall not be allowed until the employee has earned at least one hundred
19 eighty (180) months of service credited under KRS 16.543(1),
20 61.543(1), ~~{or 78.615(1)}~~ or another state-administered retirement
21 system.

22 (b) An employee who meets the minimum service requirements as provided by
23 paragraph (a) of this subsection shall be eligible for benefits as follows:

24 1. For employees who are not in a hazardous position, a monthly insurance
25 contribution of ten dollars (\$10) for each year of service as a
26 participating employee.

27 2. For employees who are in a hazardous position or who participate in the

1 State Police Retirement System, a monthly insurance contribution of
2 fifteen dollars (\$15) for each year of service as a participating employee
3 in a hazardous position or as a participating member of the State Police
4 Retirement System. Upon the death of the retired member, the
5 beneficiary, if the beneficiary is the member's spouse, shall be entitled to
6 a monthly insurance contribution of ten dollars (\$10) for each year of
7 service the member attained as a participating employee in a hazardous
8 position or as a participating member of the State Police Retirement
9 System.

- 10 (c) 1. The minimum service requirement to participate in benefits as provided
11 by paragraph (a) of this subsection shall be waived for a member who is
12 disabled or killed in the line of duty as defined in KRS 16.505(19), and
13 the member or his spouse and eligible dependents shall be entitled to the
14 benefits payable under this subsection as though the member had twenty
15 (20) years of service in a hazardous position.
- 16 2. The minimum service required to participate in benefits as provided by
17 paragraph (a) of this subsection shall be waived for a member who is
18 disabled in the line of duty as defined in KRS 61.621, and the member
19 shall be entitled to the benefits payable under this subsection as though
20 the member has twenty (20) years of service in a nonhazardous position.
- 21 3. The minimum service required to participate in benefits as provided by
22 paragraph (a) of this subsection shall be waived for a member who is
23 killed in the line of duty as described in KRS 61.621, and the member's
24 spouse and eligible dependents shall be entitled to the benefits payable
25 under this subsection as though the member has twenty (20) years of
26 service in a hazardous position.

- 27 (d) The monthly insurance contribution amount shall be increased July 1 of each

1 year by one and one-half percent (1.5%). The increase shall be cumulative and
 2 shall continue to accrue after the member's retirement for as long as a monthly
 3 insurance contribution is payable to the retired member or beneficiary.

4 (e) The benefits of this subsection provided to a member whose participation
 5 begins on or after July 1, 2003, shall not be considered as benefits protected
 6 by the inviolable contract provisions of KRS 61.692 ~~and~~ 16.652~~, and~~
 7 ~~78.852~~. The General Assembly reserves the right to suspend or reduce the
 8 benefits conferred in this subsection if in its judgment the welfare of the
 9 Commonwealth so demands.

10 (f) An employee whose membership date is on or after September 1, 2008, who
 11 retires and is reemployed in a regular full-time position required to participate
 12 in one (1) of the systems administered by Kentucky Retirement Systems shall
 13 not be eligible for health insurance coverage or benefits provided by this
 14 section and shall take coverage with his or her employing agency during the
 15 period of reemployment in a regular full-time position.

16 ➔Section 99. KRS 61.705 is amended to read as follows:

17 (1) Upon the death of a retired member of the Kentucky Employees Retirement
 18 System~~, County Employees Retirement System,~~ or State Police Retirement
 19 System who was receiving a monthly retirement allowance based on a minimum of
 20 forty-eight (48) months of service or whose retirement allowance based on a
 21 minimum of forty-eight (48) months was suspended in accordance with KRS
 22 61.637, a death benefit of five thousand dollars (\$5,000) shall be paid. If the retired
 23 member had more than one (1) account in the Kentucky Employees Retirement
 24 System~~, County Employees Retirement System,~~ or State Police Retirement
 25 System, **or was eligible for a benefit under Section 41 of this Act from the county**
 26 **Employees Retirement System,** the ~~systems~~ shall pay only one (1) five
 27 thousand dollar (\$5,000) death benefit. **Each system's cost shall be prorated**

1 *between the systems based upon the level of service credit in each system.*

2 Application for the death benefit made to the Kentucky Retirement Systems shall
3 include acceptable evidence of death and of the eligibility of the applicant to act on
4 the deceased retired member's behalf.

5 (2) The death benefit shall be paid to a beneficiary named by the retired member. Upon
6 retirement or any time thereafter, the retired member may designate on the form
7 prescribed by the board, death benefit designation, a person, the retired member's
8 estate, a trust or trustee, or a licensed funeral home, as the beneficiary of the death
9 benefit. The beneficiary for the death benefit may or may not be the same
10 beneficiary designated in accordance with KRS 61.590(1). If the beneficiary
11 designated under this section is a person and that person dies prior to the member,
12 or if the beneficiary was the retired member's spouse and they were divorced on the
13 date of the retired member's death, then the retired member's estate shall become the
14 beneficiary, unless the retired member has filed a subsequent death benefit
15 designation. If a licensed funeral home is designated as beneficiary and the licensed
16 funeral home cannot be reasonably identified or located by Kentucky Retirement
17 Systems at the time of the retired member's death, then the retired member's estate
18 shall become the beneficiary of the death benefit.

19 (3) If, at the time of the retired member's death, a debt to the Kentucky Retirement
20 Systems remains on his or her account, the balance owed shall be deducted from the
21 five thousand dollars (\$5,000) death benefit.

22 (4) Upon the death of a retired member, the death benefit provided pursuant to this
23 section may be assigned by the designated beneficiary to a bank or licensed funeral
24 home.

25 ➔Section 100. KRS 70.292 is amended to read as follows:

26 (1) A county sheriff's office in the Commonwealth of Kentucky may employ police
27 officers who have retired under the State Police Retirement System, Kentucky

1 Employees Retirement System, or the County Employees Retirement System as
 2 provided by KRS 70.291 to 70.293.

3 (2) An individual employed under KRS 70.291 to 70.293 shall have:

4 (a) 1. Participated in the Law Enforcement Foundation Program fund under
 5 KRS 15.410 to 15.515; or

6 2. Retired as a commissioned officer pursuant to KRS Chapter 16;

7 (b) Retired with at least twenty (20) years of service credit;

8 (c) Been separated from service for the period required by KRS 61.637 **or Section**
 9 **40 of this Act** so that the member's retirement is not voided;

10 (d) Retired with no administrative charges pending; and

11 (e) Retired with no pre-existing agreement between the individual and the
 12 sheriff's office prior to the individual's retirement for the individual to return
 13 to work for the sheriff's office.

14 ➔Section 101. KRS 70.293 is amended to read as follows:

15 (1) Individuals employed under KRS 70.291 to 70.293 shall:

16 (a) Serve for a term not to exceed one (1) year. The one (1) year employment term
 17 may be renewed annually at the discretion of the employing sheriff's office;

18 (b) Receive compensation according to the standard procedures applicable to the
 19 employing sheriff's office; and

20 (c) Be employed based upon need as determined by the employing sheriff's office.

21 (2) Notwithstanding any provisions of KRS 16.505 to 16.652, 18A.225 to 18A.2287,
 22 61.510 to 61.705, or 78.510 to 78.852 to the contrary:

23 (a) Individuals employed under KRS 70.291 to 70.293 shall continue to receive
 24 all retirement and health insurance benefits to which they were entitled upon
 25 retiring in the applicable system administered by Kentucky Retirement
 26 Systems **or the County Employees Retirement System;**

27 (b) Individuals employed under KRS 70.291 to 70.293 shall not be eligible to

1 receive health insurance coverage through the sheriff's office or the fiscal
2 court of the sheriff's county;

3 (c) The sheriff's office or fiscal court of the sheriff's office shall not pay any
4 employer contributions or retiree health expense reimbursements to the
5 Kentucky Retirement Systems required by KRS 61.637(17) **or subsection (4)**
6 **of Section 42 of this Act** for individuals employed under KRS 70.291 to
7 70.293; and

8 (d) The sheriff's office or fiscal court of the sheriff's office shall not pay any
9 insurance contributions to the state health insurance plan, as provided by KRS
10 18A.225 to 18A.2287, for individuals employed under KRS 70.291 to 70.293.

11 (3) Individuals employed under KRS 70.291 to 70.293 shall be subject to any merit
12 system, civil service, or other legislative due process provisions applicable to the
13 sheriff's office. A decision not to renew a one (1) year appointment term under this
14 section shall not be considered a disciplinary action or deprivation subject to due
15 process.

16 ➔Section 102. KRS 78.530 is amended to read as follows:

17 (1) (a) Each county and school board, as defined in KRS 78.510, will participate in
18 the system by appropriate order authorizing such participation which has been
19 entered and duly recorded in the records of the governing body of the county
20 or school board. In cases where general purpose county government does not
21 participate, but the sheriff and his employees or the county clerk and his
22 employees do, the sheriff or the clerk shall retain the order in his office. The
23 authority to issue and properly record such order of participation being hereby
24 granted, permits such county to participate in the system. The effective date of
25 such participation shall be fixed in the order.

26 (b) Notwithstanding any statute to the contrary, after April 9, 2002, the systems
27 shall deny the request for participation of any agency which does not have an

1 irrevocable contract with the state Personnel Cabinet for health insurance
2 coverage under KRS 18A.225 to 18A.229 for its active employees, except
3 that:

- 4 1. County governments entering the system between April 9, 2002, and
5 July 1, 2003, under this section shall be excluded from this requirement;
6 and
- 7 2. Agencies entering the system on or after April 9, 2002, which were
8 established by a merger or an interlocal agreement to provide public
9 services shall be excluded from this requirement if all agencies entering
10 into the merger or interlocal agreement had an initial participation date
11 with the system prior to April 9, 2002.

12 (2) Once a county or school board participates, it shall thereafter continue to
13 participate, except as provided in KRS 78.535.

14 (3) (a) Concurrent with the adoption of the appropriate resolution to participate in the
15 system, a county may elect the alternate participation plan which will require
16 the county to purchase on behalf of each employee electing coverage, at the
17 time the county elected to participate in the system as provided under
18 paragraph (1)(b) and (1)(c) of Section 4 of this Act~~[KRS 78.540(2)]~~, current
19 service credit for employment in regular full-time positions between July 1,
20 1958, and the participation date of the county. Cities which participate in the
21 system pursuant to subsection (6) of this section, KRS 79.080, 90.400, 90.410,
22 95.520, 95.621, 95.761, 95.768, 95.852, or 96.180 shall be required to
23 purchase on behalf of each employee electing coverage only as much service
24 credit as the employee has accumulated in the city-administered plan, up to
25 the participation date of the city. Accumulated service shall include service for
26 which an employee received a refund pursuant to KRS 95.620 or 95.866, if
27 such refund has been repaid. If the employee has not yet repaid the refund, he

1 may make payment to the system by any method acceptable to the system, and
2 the requirement of five (5) years of continuous reemployment prior to
3 repayment of refunds shall not apply. Upon the employee's repayment, the city
4 shall purchase the associated service credit for the employee. Cost of such
5 service credit over and above that which would be funded within the existing
6 employer contribution rate shall be determined by the board's consulting
7 actuary. The expense of such actuarial service shall be paid by the county;

8 (b) The county shall establish a payment schedule subject to approval by the
9 board for payment of the cost of such service over and above that which
10 would be funded within the existing employer contribution rate. The
11 maximum period allowed in a payment schedule shall be thirty (30) years,
12 with interest at the rate actuarially assumed by the board. A shorter period is
13 desirable and the board may approve any payment schedule provided it is not
14 longer than a thirty (30) year period, except that cities which participate in the
15 system pursuant to subsection (6) of this section, KRS 79.080, 90.400, 90.410,
16 95.520, 95.621, 95.761, 95.768, 95.852, or 96.180 may, at their option, extend
17 the payment schedule to a maximum of thirty (30) years, may choose to make
18 level payments at the interest rate actuarially assumed by the board over the
19 life of the payment schedule chosen, and may retain employer contributions
20 and the earnings thereon attributable to employees electing coverage;

21 (c) A city entering the system under the alternate participation plan, may, by
22 ordinance, levy a special property tax to pay for current service credit
23 purchased for the period between July 1, 1958, and the participation date of
24 the city. The special tax shall be to pay, within a period of no more than
25 fifteen (15) years, for the cost of such service credit over that which would be
26 funded within the existing employer contribution rate, as determined by the
27 board's consulting actuary. The reason for levying the special tax and the

1 disposition of the proceeds shall be part of the ordinance levying the tax. The
2 special tax shall be rescinded when the unfunded prior service liability has
3 been amortized, and shall not be subject to the provisions of KRS 132.017 or
4 132.027. In addition, the city may maintain any tax, the proceeds of which had
5 been devoted to funding pension obligations under the locally administered
6 plan prior to participation in the system, for the purpose of funding current
7 service costs incurred after the date of participation. The city may increase the
8 tax to pay current service costs which exceed the local pension system costs to
9 which the tax had been devoted, but the city shall not collect from the tax
10 more revenues than are necessary to pay current service costs incurred after
11 the date of participation. The city may continue the tax so long as it
12 participates in the system, and the tax shall not be subject to the provisions of
13 KRS 132.017 or 132.027. The city shall not collect either tax authorized by
14 this paragraph if its participation has been terminated pursuant to Section 3 of
15 this Act~~[KRS 61.522]~~;

16 (d) The county may at a later date purchase current service credit from July 1,
17 1958, to the participation date of the county by alternate participation plan for
18 those employees who rejected membership in the system at the time the
19 county first participated. In addition, the employer shall pay the employer
20 contributions on the creditable compensation of the employees who later elect
21 membership from the participation date of the county to the date the member
22 elects participation. The employee shall pay the employee contributions on his
23 creditable compensation from the participation date of the county to the date
24 he elects membership plus interest at the current actuarial rate compounded
25 annually on the employee and employer contributions. Cost of the service
26 credit over and above that which would be funded within the existing
27 employer contribution rate shall be determined by the board's consulting

- 1 actuary. The expense of the actuarial service shall be paid by the county. The
2 county shall pay the cost of the service by lump sum or by adding it to the
3 existing payment schedule established under paragraph (b) of this subsection;
- 4 (e) A county which did not participate by alternate participation may, until July 1,
5 1991, purchase current service credit for those employees who rejected
6 membership in the system at the time the county first participated. The
7 employer shall pay the employer contributions on the creditable compensation
8 of the employees who later elect membership from the participation date of
9 the county to the date the member elects participation. The employee shall pay
10 the employee contributions on his creditable compensation from the
11 participation date of the county to the date he elects membership plus interest
12 at the current actuarial rate compounded annually on the employee and
13 employer contributions. The county shall pay the cost of the service credit by
14 lump sum or by establishing a payment schedule under paragraph (b) of this
15 subsection; and
- 16 (f) A county which participated in the system but did not elect the alternate
17 participation plan may at a later date elect the alternate participation plan. In
18 this case, the county shall purchase on behalf of each employee participating
19 in the system current service credit for employment in regular full-time
20 positions between July 1, 1958, or a later date selected by the county
21 government, and the participation date of the county. The county shall also
22 purchase, for employees who decide to participate when the county elects the
23 alternate participation plan, current service credit for employment in regular
24 full-time positions between July 1, 1958, or the later date selected by the
25 county government, and the participation date of the county. In addition, the
26 county shall pay the employer contributions on the creditable compensation of
27 the employees who later elect membership from the participation date of the

1 county to the date the member elects participation. The employee shall pay the
2 employee contributions on his creditable compensation from the participation
3 date of the county to the date he elects membership plus interest at the current
4 actuarial rate compounded annually on the employee and employer
5 contributions. Cost of the service credit over that which would be funded
6 within the existing employer contribution rate shall be determined by the
7 board's consulting actuary. The expense of the actuarial service shall be paid
8 by the county. The county shall pay the cost of the service by lump sum or by
9 a payment schedule established under paragraph (b) of this subsection.

10 (g) Notwithstanding any other provision of the Kentucky Revised Statutes to the
11 contrary, this subsection shall not apply to members who begin participating
12 in the system on or after January 1, 2014, and no county that elects to
13 participate in the system on or after January 1, 2014, shall be eligible to
14 participate under the alternate participation plan.

15 (4) Every school board not participating on June 21, 1974, shall enact a resolution of
16 participation no later than July 1, 1976.

17 (5) The order of the governing body of a county, as provided for in subsection (1) of
18 this section, may exclude from participation in the system hospitals and any other
19 semi-independent agency. Each such excluded agency shall be identified in the
20 order authorizing participation and such excluded agency may participate in the
21 system as a separate agency.

22 (6) (a) After August 1, 1988, except as permitted by KRS 65.156, no local
23 government retirement system shall be created pursuant to KRS 70.580 to
24 70.598 and any local government retirement systems created pursuant to KRS
25 79.080, 90.400, 90.410, 95.768, and KRS Chapter 96 shall be closed to new
26 members. New employees who would have been granted membership in such
27 retirement systems shall instead be granted membership in the County

1 Employees Retirement System. Employees who would have been granted
2 membership in retirement systems created pursuant to KRS 95.768, or any
3 other policemen or firefighters who would have been granted membership in
4 retirement systems created pursuant to KRS 79.080, 90.400, or 90.410, or any
5 such policemen or firefighter members employed on or prior to August 1,
6 1988, who transfer to the County Employees Retirement System, shall be
7 certified by their employers as working in hazardous positions. Each city
8 participating in the County Employees Retirement System pursuant to this
9 subsection shall execute the appropriate order authorizing such participation,
10 shall select the alternate participation plan as described in subsection (3) of
11 this section, and shall pay for the actuarial services necessary to determine the
12 additional costs of alternate participation. Cities which closed their local
13 pension systems to new members and participated in the system prior to July
14 15, 1988, whose employees at the time of transition were given the option to
15 join the system shall not be required to offer said employees a second option
16 to join the system.

17 (b) Notwithstanding any statute to the contrary, after April 9, 2002, the
18 ~~system~~^{systems} shall deny the request for participation of any agency which
19 does not have an irrevocable contract with the state Personnel Cabinet for
20 health insurance coverage under KRS 18A.225 to 18A.229 for its active
21 employees, except that agencies entering the system on or after April 9, 2002,
22 which were established by a merger or an interlocal agreement to provide
23 public services shall be excluded from this requirement if all agencies entering
24 into the merger or interlocal agreement had an initial participation date with
25 the system prior to April 9, 2002.

26 (7) Any city which closed a police and firefighter pension plan to new members
27 between January 1, 1988, and July 15, 1988, and participated in the system under

1 the alternate participation plan shall, if its police and firefighters were not covered
2 by Social Security, or any city which operates a pension under KRS 90.400 or
3 90.410, shall be required to certify that its police and firefighters are working in
4 hazardous positions, and shall offer its police and firefighters in service at the time
5 of entry a second option to participate under hazardous duty coverage if they were
6 not offered hazardous duty coverage at the time of their first option. The provisions
7 of subsection (3)(b) of this section notwithstanding, a city affected by this
8 subsection may, at its option, extend its payment schedule to the County Employees
9 Retirement System for alternate participation to thirty (30) years at the rate
10 actuarially assumed by the board.

11 ➔Section 103. KRS 95.022 is amended to read as follows:

12 (1) As used in this section:

13 (a) "City" means any incorporated city, consolidated local government, unified
14 local government, urban-county government, or charter county government,
15 operating under the law of this Commonwealth, and the offices and agencies
16 thereof; and

17 (b) "Police officer" has the same meaning as "police officer" in KRS 15.420 and
18 as "officer" in KRS 16.010.

19 (2) Subject to the limitations of subsection (7) of this section, a city may employ
20 individuals as police officers under this section who have retired from the Kentucky
21 Employees Retirement System, the County Employees Retirement System, or the
22 State Police Retirement System.

23 (3) To be eligible for employment under this section, an individual shall have:

24 (a) Participated in the Law Enforcement Foundation Program fund under KRS
25 15.410 to 15.510 or retired as a commissioned officer pursuant to KRS
26 Chapter 16;

27 (b) Retired with at least twenty (20) years of service credit;

- 1 (c) Been separated from service for the period required by KRS 61.637 or Section
2 42 of this Act so that the member's retirement is not voided;
- 3 (d) Retired with no administrative charges pending; and
- 4 (e) Retired with no preexisting agreement between the individual and the city
5 prior to the individual's retirement for the individual to return to work for the
6 city.
- 7 (4) Individuals employed under this section shall:
- 8 (a) Serve for a term not to exceed one (1) year. The one (1) year employment term
9 may be renewed annually at the discretion of the employing city;
- 10 (b) Receive compensation according to the standard procedures applicable to the
11 employing city; and
- 12 (c) Be employed based upon need as determined by the employing city.
- 13 (5) Notwithstanding any provisions of KRS 16.505 to 16.652, 18A.225 to 18A.2287,
14 61.510 to 61.705, or 78.510 to 78.852 to the contrary:
- 15 (a) Individuals employed under this section shall continue to receive all
16 retirement and health insurance benefits to which they were entitled upon
17 retiring in the applicable system administered by Kentucky Retirement
18 Systems or the County Employees Retirement System;
- 19 (b) Individuals employed under this section shall not be eligible to receive health
20 insurance coverage through the employing city;
- 21 (c) The city shall not pay any employer contributions or retiree health expense
22 reimbursements to the Kentucky Retirement Systems required by KRS
23 61.637(17) or subsection (4) of Section 42 of this Act for individuals
24 employed under this section; and
- 25 (d) The city shall not pay any insurance contributions to the state health insurance
26 plan, as provided by KRS 18A.225 to 18A.2287, for individuals employed
27 under this section.

1 (6) Individuals employed under this section shall be subject to any merit system, civil
2 service, or other legislative due process provisions applicable to the employing city.
3 A decision not to renew a one (1) year appointment term under this section shall not
4 be considered a disciplinary action or deprivation subject to due process.

5 (7) A city government shall be limited in the number of retired police officers that it
6 may hire under this section as follows:

7 (a) A city government that employed an average of five (5) or fewer police
8 officers over the course of calendar year 2015 shall not be limited in the
9 number of officers that they may hire under this section;

10 (b) A city government that employed an average of more than five (5) but fewer
11 than one hundred (100) police officers over the course of calendar year 2015
12 shall not hire more than five (5) police officers or a number equal to twenty-
13 five percent (25%) of the police officers employed by the city in calendar year
14 2015, whichever is greater; and

15 (c) A city government that employed an average of ~~more than~~ one hundred
16 (100) ***or more*** police officers over the course of calendar year 2015 shall not
17 hire more than twenty-five (25) police officers or a number equal to ten
18 percent (10%) of the police officers employed by the city in calendar year
19 2015, whichever is greater.

20 ➔Section 104. KRS 95.290 is amended to read as follows:

21 (1) The city legislative body in cities of the first class may enact ordinances providing
22 for a system of pensions for retired and disabled members of the police and fire
23 divisions of the department of public safety and their dependents, may appropriate
24 funds for the purpose of paying such pensions, may allot and pay to the policemen's
25 pension fund or the firefighters' pension fund or either or both of them, all fines and
26 forfeitures imposed upon members of the respective divisions, and may provide for,
27 assess, and collect contributions from the members for the benefit of the fund.

1 (2) (a) There shall be a governing body of the policemen's pension fund, and a
2 governing body of the firefighters' pension fund. The governing bodies of the
3 respective funds shall hold title to all assets in their respective funds, and shall
4 have exclusive authority relating to investment of the assets of the funds,
5 including contracting with investment advisors or managers to perform
6 investment services as deemed necessary and prudent by the board. A majority
7 of the governing body of each fund shall be composed of persons receiving
8 pension benefits from the respective pension systems, and no more than one
9 (1) member of the city legislative body may be a member of the governing
10 body of either the policemen's or the firefighters' pension fund, except if there
11 are fewer than six (6) active and retired members of the policemen's or the
12 firefighters' pension fund, the governing body of the pension fund shall be
13 composed of the mayor, city treasurer or chief financial officer, and two (2)
14 employees appointed by the mayor from the city's respective police
15 department or fire department. To be effective, an action of the governing
16 body of a fund shall require only a simple majority of the votes cast at a
17 properly convened meeting of the governing body where a quorum is present,
18 with a quorum being a majority of the members of a governing body.

19 (b) If all liabilities to all individuals entitled to benefits from the policemen's
20 pension fund or firefighters' pension fund have been satisfied, the ordinances
21 establishing the fund may be repealed by the majority vote of the duly elected
22 members of the entire legislative body. If repealed, the governing body of the
23 policemen's or firefighters' pension fund shall, within sixty (60) days of repeal,
24 proceed with the liquidation of any residual assets of the fund. All residual
25 assets liquidated pursuant to this paragraph shall be distributed by the
26 governing body to the city's general fund provided the return of assets
27 complies with federal and state law governing the distribution of assets.

1 Within thirty (30) days following the distribution of residual assets, the
2 governing body of the fund shall as its last act file a complete report with the
3 legislative body of the city, for retention by the city clerk the same as for other
4 city records, of the actions taken to dissolve the fund and liquidate residual
5 assets of the fund.

6 (3) Any policemen's pension fund or any firefighters' pension fund established under
7 the provisions of this section shall be held or distributed for, and only for, any of the
8 following purposes of the respective fund as applicable:

- 9 (a) Paying pensions, and any bonus payments under applicable ordinances;
- 10 (b) Making payments to the city for transfer to the County Employees Retirement
11 System for alternate participation pursuant to KRS 78.530(3)(a) and 78.531(2)
12 or for the distribution of residual assets in the event the fund is dissolved
13 pursuant to subsection (2)(b) of this section;
- 14 (c) Transferring pension assets through investment contract or other financial
15 instrument for the purpose of amortizing unfunded service liabilities; and
- 16 (d) Payment from the city to the County Employees Retirement System for future
17 pension contributions required pursuant to Sections 12 and 40 of this
18 Act~~[KRS 61.565]~~.

19 Pursuant to the terms of this section, if policemen of the city of the first class elect
20 entry into the County Employees Retirement System and thereby create excess
21 funds over those required to provide for the purposes set forth in paragraphs (a), (b),
22 and (c) of this subsection, these excess funds shall be distributed to the city for use
23 by the city for any other purpose it may elect, including, but not limited to, the
24 establishment of a reserve for payment under paragraph (d) of this subsection. The
25 governing board of the fund may annually expend for the necessary expenses
26 connected with the fund, including but not limited to expenses for medical,
27 actuarial, accounting, and legal services, the amount such governing board deems

1 proper.

2 (e) Payment from the city to the County Employees Retirement System for future
3 pension contributions required pursuant to Sections 12 and 40 of this
4 Act~~[KRS 61.565]~~. Pursuant to the terms of this section, if firefighters of the
5 city of the first class elect entry into the County Employees Retirement System
6 and thereby create excess funds over those required to provide for the
7 purposes set forth in paragraphs (a), (b), and (c) of this subsection, these
8 excess funds shall be distributed according to the terms of an agreement
9 negotiated between the city and the union organization representing the
10 firefighters. The city may use its share of the distributed excess funds for any
11 purpose it may elect, including, but not limited to, the establishment of a
12 reserve for payment under paragraph (e) of this subsection.

13 (4) (a) The governing body of each pension fund shall insure that all of the assets in
14 the fund are distributed for the purposes in subsection (3) of this section, and
15 only for these purposes. If in any calendar year the assets in either fund exceed
16 those needed for the actuarial liability for payment of pension benefits and any
17 anticipated liabilities under subsection (3)(b) and (c) of this section, the
18 legislative body of the city establishing the pension system shall insure by
19 pension bonus ordinance that a portion of these excess funds be distributed in
20 an equitable manner to all eligible pension recipients. Nothing in this
21 subsection shall be construed to require any change to be made to any pension
22 ordinance as it exists on July 15, 1998.

23 (b) The governing board of either fund may annually expend for the necessary
24 expenses connected with the fund, including but not limited to expenses for
25 medical, actuarial, accounting, and legal or other professional services, the
26 amount such governing board deems proper.

27 (5) Any ordinance establishing a pension fund under this section shall make equitable

1 provision for the rights of persons having an interest in assets transferred to the fund
2 from any fund heretofore established by statute.

3 (6) To assure equal protection for the beneficiaries of either fund, any action taken by
4 the city executive or legislative body in cities of the first class that affects a
5 policemen's pension fund or a firefighters' pension fund established under this
6 section shall, to the maximum extent permitted by law, treat each fund in a uniform
7 manner and shall not cause any change to be made to the structure or operation of
8 either fund, whether through legislation, litigation, compromise, settlement, or
9 otherwise, unless any proposed change is offered to the other fund before it takes
10 effect. Nothing in this subsection shall be construed to require any change to be
11 made to any pension ordinance as it exists on July 15, 1998.

12 (7) The legislative body in a city of the first class shall issue the appropriate order,
13 pursuant to KRS 78.530(1), directing participation for policemen in the County
14 Employees Retirement System. All new employees who would have been granted
15 membership in the local policemen's pension system shall be members of the
16 County Employees Retirement System. All active members of the local policemen's
17 pension system at the time of transition to the County Employees Retirement
18 System may choose membership in the County Employees Retirement System or
19 may retain membership in the local system. The city shall elect the alternate
20 participation plan, pursuant to KRS 78.530(3), for policemen who transfer to the
21 County Employees Retirement System. Notwithstanding the provisions of KRS
22 78.530(3)(b), the city may, at its option, extend the payment period for the cost of
23 alternate participation to a maximum of twenty (20) years with the interest at the
24 rate actuarially assumed by the board. The city shall have the right to use assets in
25 the local pension fund, other than assets necessary to pay benefits to the remaining
26 active members of the local policemen's pension system and to retirees and their
27 survivors as determined by actuarial valuation, to assist in the payment of the

1 annual installment cost of alternate participation. All policemen who become
2 members of the County Employees Retirement System pursuant to this section shall
3 be granted hazardous duty coverage, and the city may, at its option, purchase
4 accumulated sick leave for each policeman upon retirement pursuant to KRS
5 78.616.

6 (8) The legislative body in a city of the first class may issue the appropriate order,
7 pursuant to KRS 78.530(1), directing participation for firefighters in the County
8 Employees Retirement System. In the event that the legislative body in a city of the
9 first class issues such an order, then all new employees who would have been
10 granted membership in the local firefighters' pension system shall be members of
11 the County Employees Retirement System. All active members of the local
12 firefighters' pension system at the time of transition to the County Employees
13 Retirement System may choose membership in the County Employees Retirement
14 System or may retain membership in the local system. The city shall elect the
15 alternate participation plan, pursuant to KRS 78.530(3), for firefighters who transfer
16 to the County Employees Retirement System. Notwithstanding the provisions of
17 KRS 78.530(3)(b), the city may, at its option, extend the payment period for the cost
18 of alternate participation to a maximum of twenty (20) years with the interest at the
19 rate actuarially assumed by the board. The city shall have the right to use assets in
20 the local firefighters' pension fund, other than assets necessary to pay benefits to the
21 remaining active members of the local firefighters' pension system and to retirees
22 and their survivors as determined by actuarial valuation, to assist in the payment of
23 the annual installment cost of alternate participation. After certification by the
24 County Employees Retirement System of eligibility for hazardous duty coverage,
25 each firefighter who becomes a member of the County Employees Retirement
26 System pursuant to this section shall be granted hazardous duty coverage.

27 (9) Notwithstanding the provisions of Sections 12 and 40 of this Act ~~[KRS 61.565]~~,

1 which relate to the contributions required of participating employers, any city of the
2 first class participating in the County Employees Retirement System hazardous duty
3 pension plan which has in effect a collective bargaining agreement with a group of
4 employees who participate in said plan, shall have the right to enter into agreement
5 with its employees or with their respective collective bargaining representatives.
6 This agreement may include, but is not limited to, specifications of what portion of
7 the required employer contribution shall be borne by the participating employer and
8 what portion shall be borne by the participating employee. This provision in no way
9 modifies the employer's obligation to remit the contributions required by the County
10 Employees Retirement System pursuant to Sections 12 and 40 of this Act~~[KRS~~
11 ~~61.565]~~, whether such contributions are borne by the city or by its participating
12 employees.

13 (10) With regard to the employer participation or employer contributions pursuant to
14 Sections 12 and 40 of this Act~~[KRS 61.565]~~ as it relates to future pension
15 contribution requirements or as it relates to payback period or interest charge for
16 service liability cost under alternate participation, if any statute or any resolution of
17 the appropriate state board of trustees having authority over employer participation
18 or employer contribution grants any terms or conditions to any city of the home rule
19 class, or to any county, or to any urban-county government, which are more
20 favorable in terms of participation than terms or conditions granted to any city of
21 the first class, then said provisions for employer participation or contribution shall
22 be available to the city of the first class, at its option and effective upon adoption by
23 the city of the first class and notification to the County Employees Retirement
24 System.

25 ➔Section 105. KRS 161.155 is amended to read as follows:

26 (1) As used in this section:

27 (a) "Teacher" shall mean any person for whom certification is required as a basis

- 1 of employment in the common schools of the state;
- 2 (b) "Employee" shall mean any person, other than a teacher, employed in the
3 public schools, whether on a full or part-time basis;
- 4 (c) "Immediate family" shall mean the teacher's or employee's spouse, children
5 including stepchildren and foster children, grandchildren, daughters-in-law
6 and sons-in law, brothers and sisters, parents and spouse's parents, and
7 grandparents and spouse's grandparents, without reference to the location or
8 residence of said relative, and any other blood relative who resides in the
9 teacher's or employee's home;
- 10 (d) "Sick leave bank" shall mean an aggregation of sick leave days contributed by
11 teachers or employees for use by teachers or employees who have exhausted
12 all sick leave and other available paid leave days; and
- 13 (e) "Assault" shall mean an act that intentionally causes injury so significant that
14 the victim is determined to be, by certification of a physician or surgeon duly
15 qualified under KRS Chapter 342, incapable of performing the duties of his or
16 her job.
- 17 (2) Each district board of education shall allow to each teacher and full-time employee
18 in its common school system not less than ten (10) days of sick leave during each
19 school year, without deduction of salary. Sick leave shall be granted to a teacher or
20 employee if he or she presents a personal affidavit or a certificate of a physician
21 stating that the teacher or employee was ill, that the teacher or employee was absent
22 for the purpose of attending to a member of his or her immediate family who was
23 ill, or for the purpose of mourning a member of his or her immediate family. The
24 ten (10) days of sick leave granted in this subsection may be taken by a teacher or
25 employee on any ten (10) days of the school year and shall be granted in addition to
26 accumulated sick leave days that have been credited to the teacher or employee
27 under the provisions of subsection (4) of this section.

- 1 (3) A school district shall coordinate among the income and benefits from workers'
2 compensation, temporary disability retirement, and district payroll and benefits so
3 that there is no loss of income or benefits to a teacher or employee for work time
4 lost because of an assault while performing the teacher's or employee's assigned
5 duties for a period of up to one (1) year after the assault. In the event a teacher or
6 employee suffers an assault while performing his or her assigned duties that results
7 in injuries that qualify the teacher or employee for workers' compensation benefits,
8 the district shall provide leave to the teacher or employee for up to one (1) year after
9 the assault with no loss of income or benefits under the following conditions:
- 10 (a) The district shall pay the salary of the teacher or employee between the time
11 of the assault and the time the teacher's or employee's workers' compensation
12 income benefits take effect, or the time the teacher or employee is certified to
13 return to work by a physician or surgeon duly qualified under KRS Chapter
14 342, whichever is sooner;
- 15 (b) The district shall pay, for up to one (1) year from the time of the assault, the
16 difference between the salary of the teacher or employee and any workers'
17 compensation income benefits received by the teacher or employee resulting
18 from the assault. Payments by the district shall include payments for
19 intermittent work time missed as a result of the assault during the one (1) year
20 period. If the teacher's or employee's workers' compensation income benefits
21 cease during the one (1) year period after the assault, the district shall also
22 cease to make payments under this paragraph;
- 23 (c) The Commonwealth, through the Kentucky Department of Education, shall
24 make the employer's health insurance contribution during the period that the
25 district makes payments under paragraphs (a) and (b) of this subsection;
- 26 (d) The Commonwealth, through the Kentucky Department of Education, shall
27 make the employer's contribution to the retirement system in which the

- 1 teacher or employee is a member during the period that the district makes
2 payments under paragraphs (a) and (b) of this subsection; and
- 3 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this
4 subsection shall be coordinated with workers' compensation benefits under
5 KRS Chapter 342, disability retirement benefits for teachers under KRS
6 161.661 to 161.663, and disability retirement benefits for employees under
7 KRS 61.600 to 61.621 and Sections 26 to 30 of this Act~~[78.545]~~ so that the
8 teacher or employee receives income equivalent to his or her full contracted
9 salary, but in no event shall the combined payments exceed one hundred
10 percent (100%) of the teacher's or employee's full contracted salary.
- 11 (4) Days of sick leave not taken by an employee or a teacher during any school year
12 shall accumulate without limitation and be credited to that employee or teacher.
13 Accumulated sick leave may be taken in any school year. Any district board of
14 education may, in its discretion, allow employees or teachers in its common school
15 system sick leave in excess of the number of days prescribed in this section and may
16 allow school district employees and teachers to use up to three (3) days' sick leave
17 per school year for emergency leave pursuant to KRS 161.152(3). Any accumulated
18 sick leave days credited to an employee or a teacher shall remain so credited in the
19 event he or she transfers his or her place of employment from one (1) school district
20 to another within the state or to the Kentucky Department of Education or transfers
21 from the Department of Education to a school district.
- 22 (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to
23 the opening day of the school year, an affidavit or a certificate of a physician is
24 presented to the district board of education, stating that the teacher or employee is
25 unable to commence his or her duties on the opening day of the school year, but will
26 be able to assume his or her duties within a period of time that the board determines
27 to be reasonable.

- 1 (6) Any school teacher or employee may repurchase previously used sick leave days
2 with the concurrence of the local school board by paying to the district an amount
3 equal to the total of all costs associated with the used sick leave.
- 4 (7) A district board of education may adopt a plan for a sick leave bank. The plan may
5 include limitations upon the number of days a teacher or employee may annually
6 contribute to the bank and limitations upon the number of days a teacher or
7 employee may annually draw from the bank. Only those teachers or employees who
8 contribute to the bank may draw upon the bank. Days contributed will be deducted
9 from the days available to the contributing teacher or employee. The sick leave bank
10 shall be administered in accordance with a policy adopted by the board of
11 education.
- 12 (8) (a) A district board of education shall establish a sick leave donation program to
13 permit teachers or employees to voluntarily contribute sick leave to teachers
14 or employees in the same school district who are in need of an extended
15 absence from school. A teacher or employee who has accrued more than
16 fifteen (15) days' sick leave may request the board of education to transfer a
17 designated amount of sick leave to another teacher or employee who is
18 authorized to receive the sick leave donated. A teacher or employee may not
19 request an amount of sick leave be donated that reduces his or her sick leave
20 balance to less than fifteen (15) days.
- 21 (b) A teacher or employee may receive donations of sick leave if:
- 22 1. a. The teacher or employee or a member of his or her immediate
23 family suffers from a medically certified illness, injury,
24 impairment, or physical or mental condition that has caused or is
25 likely to cause the teacher or employee to be absent for at least ten
26 (10) days; or
- 27 b. The teacher or employee suffers from a catastrophic loss to his or

- 1 her personal or real property, due to either a natural disaster or fire,
2 that either has caused or will likely cause the employee to be
3 absent for at least ten (10) consecutive working days;
- 4 2. The teacher's or employee's need for the absence and use of leave are
5 certified by a licensed physician for leave requested under subparagraph
6 1.a. of this subsection;
- 7 3. The teacher or employee has exhausted his or her accumulated sick
8 leave, personal leave, and any other leave granted by the school district;
9 and
- 10 4. The teacher or employee has complied with the school district's policies
11 governing the use of sick leave.
- 12 (c) While a teacher or employee is on sick leave provided by this section, he or
13 she shall be considered a school district employee, and his or her salary,
14 wages, and other employee benefits shall not be affected.
- 15 (d) Any sick leave that remains unused, is not needed by a teacher or employee,
16 and will not be needed in the future shall be returned to the teacher or
17 employee donating the sick leave.
- 18 (e) The board of education shall adopt policies and procedures necessary to
19 implement the sick leave donation program.
- 20 (9) A teacher or employee may use up to thirty (30) days of sick leave following the
21 birth or adoption of a child or children. Additional days may be used when the need
22 is verified by a physician's statement.
- 23 (10) (a) After July 1, 1982, a district board of education may compensate, at the time
24 of retirement or upon the death of a member in active contributing status at the
25 time of death who was eligible to retire by reason of service, an employee or a
26 teacher, or the estate of an employee or teacher, for each unused sick leave
27 day. The rate of compensation for each unused sick leave day shall be based

1 on a percentage of the daily salary rate calculated from the employee's or
2 teacher's last annual salary, not to exceed thirty percent (30%). Payment for
3 unused sick leave days shall be incorporated into the annual salary of the final
4 year of service for inclusion in the calculation of the employee's or teacher's
5 retirement allowance only at the time of his or her initial retirement; provided
6 that the member makes the regular retirement contribution for members on the
7 sick leave payment. The accumulation of these days includes unused sick
8 leave days held by the employee or teacher at the time of implementation of
9 the program.

10 (b) For a teacher or employee who begins employment with a local school district
11 on or after July 1, 2008, the maximum amount of unused sick leave days a
12 district board of education may recognize in calculating the payment of
13 compensation to the teacher or employee under this subsection shall not
14 exceed three hundred (300) days.

15 (11) Any statute to the contrary notwithstanding, employees and teachers who
16 transferred from the Department of Education to a school district, from a school
17 district to the Department of Education, or from one (1) school district to another
18 school district after July 15, 1981, shall receive credit for any unused sick leave to
19 which the employee or teacher was entitled on the date of transfer. This credit shall
20 be for the purposes set forth in subsection (10) of this section.

21 (12) The death benefit provided in subsection (10) of this section may be cited as the
22 Baughn Benefit.

23 ➔Section 106. KRS 161.675 is amended to read as follows:

24 (1) The board of trustees shall arrange by appropriate contract or on a self-insured basis
25 to provide a broad program of group hospital and medical insurance for present and
26 future eligible recipients of a retirement allowance from the Teachers' Retirement
27 System. The board of trustees may also arrange to provide health insurance

1 coverage through an insurer licensed pursuant to Subtitle 38 of KRS Chapter 304
2 and offering a managed care plan as defined in KRS 304.17A-500 as an alternative
3 to group hospital and medical insurance for persons eligible for hospital and
4 medical benefits under this section. The board of trustees may authorize eligible
5 recipients of a retirement allowance from the Teachers' Retirement System who are
6 less than age sixty-five (65) to be included in the state-sponsored health insurance
7 that is provided to active teachers and state employees under KRS 18A.225.
8 Members who are sixty-five (65) or older and retired for service shall not be eligible
9 to participate in the state employee health insurance program as described in KRS
10 18A.225.

- 11 (2) (a) The coverage provided shall be as set forth in the contracts and the
12 administrative regulations of the board of trustees. The board of trustees may
13 change the levels of coverage and eligibility conditions to meet the changing
14 needs of the annuitants and, when necessary, to contain the expenses of the
15 insurance program within the funds available to finance the insurance
16 program, except as provided by paragraph (b) of this subsection. The contracts
17 and administrative regulations shall provide for but not be limited to hospital
18 room and board, surgical procedures, doctors' care in the hospital, and
19 miscellaneous hospital costs. An annuitant whose effective date of retirement
20 is July 1, 1974, and thereafter, must have a minimum of five (5) years'
21 creditable Kentucky service in the Teachers' Retirement System or five (5)
22 years of combined creditable service in the state-administered retirement
23 systems if the member is retiring under the reciprocity provisions of KRS
24 61.680, ~~and~~ 61.702, and Section 40 of this Act. An annuitant shall not elect
25 coverage through more than one (1) of the state-administered retirement
26 systems. The board of trustees shall offer coverage to the disabled child of an
27 annuitant regardless of the disabled child's age if the annuitant pays the entire

1 premium for the disabled child's coverage. A child shall be considered
2 disabled if he has been determined to be eligible for federal Social Security
3 disability benefits.

4 (b) Individuals who become members of the Kentucky Teachers' Retirement
5 System on or after July 1, 2008, shall not be eligible for benefits under this
6 section unless the member has at least fifteen (15) or more years of service
7 credited under KRS 161.500 or another state-administered retirement system.

8 (3) All expenses for benefits under this section shall be paid from the funding
9 provisions contained in KRS 161.420(5), from a trust fund established by the board
10 under 26 U.S.C. sec. 115, premium charges received from the annuitants and the
11 spouses, and from funds that may be appropriated or allocated by statute.

12 (4) (a) The board of trustees shall determine the amount of health insurance
13 supplement payments that the Teachers' Retirement System will provide to
14 assist eligible annuitants in paying the cost of their health insurance, based on
15 the funds available in the medical insurance fund and any trust fund
16 established by the board for this purpose under 26 U.S.C. sec. 115. The board
17 of trustees shall establish the maximum monthly amounts of health insurance
18 supplement payments that will be made by the Kentucky Teachers' Retirement
19 System for eligible annuitants. The board of trustees shall annually establish
20 the percentage of the maximum monthly health insurance supplement
21 payment that will be made, based on age and years of service credit of eligible
22 recipients of a retirement allowance. Monthly health insurance supplement
23 payments made by the retirement system may not exceed the amount of the
24 single coverage insurance premium chosen by the eligible annuitants. In order
25 to qualify for health insurance supplements, the annuitant must agree to pay
26 the difference between the insurance premium and the applicable supplement
27 payment, by payroll deduction from his retirement allowance, or by a payment

1 method approved by the retirement system.

2 (b) The board shall, effective July 1, 2010, have the authority to charge retired
3 members who are not paying the Standard Medicare Part B premium an
4 amount equal to the Standard Medicare Part B premium in addition to any
5 other payments determined by the board to be necessary to contain costs
6 within the available funding. If the board determines that retired members
7 who are not paying the Standard Medicare Part B premium should pay the
8 equivalent of the Standard Medicare Part B premium, the board shall phase in
9 the premium according to the following schedule:

10	July 1, 2010.....	Thirty-three percent (33%)
11	July 1, 2011.....	Sixty-seven percent (67%)
12	July 1, 2012, and thereafter.....	One hundred percent (100%)

13 Nothing in this paragraph shall limit the board's authority to change the levels
14 of coverage, eligibility conditions, or levels of health insurance supplement
15 for retirees in order to contain costs within available funding.

16 (c) The board of trustees may offer, on a full-cost basis, health care insurance
17 coverage provided by the retirement system to spouses and dependents of
18 eligible annuitants not otherwise eligible for regular coverage. Recipients of a
19 retirement allowance from the retirement system must agree to pay the cost of
20 this coverage by payroll deduction from their retirement allowance or by a
21 payment method approved by the retirement system.

22 (d) The board of trustees shall offer, on a full-cost basis, health insurance
23 coverage provided by the retirement system to the disabled child of an
24 annuitant, regardless of the age of the disabled child. A child shall be
25 considered disabled for purposes of this section if the child has been
26 determined to be eligible for federal Social Security disability benefits.

27 (5) The board of trustees is empowered to require the annuitant and the annuitant's

1 spouse to pay a premium charge to assist in the financing of the hospital and
2 medical insurance program. The board of trustees is empowered to pay the expenses
3 for insurance coverage from the medical insurance fund, from any trust fund
4 established by the board for this purpose under 26 U.S.C. sec. 115, from the
5 premium charges received from the annuitants and the spouses, and from funds that
6 may be appropriated or allocated by statute. The board may provide insurance
7 coverage by making payment to insurance carriers including health insurance plans
8 that are available to active and retired state employees and active teachers,
9 institutions, and individuals for services performed, or the board of trustees may
10 elect to provide insurance on a "self-insurance" basis or a combination of these
11 provisions.

12 (6) The board of trustees may approve health insurance supplement payments to
13 eligible annuitants who are less than sixty-five (65) years of age, as reimbursement
14 for hospital and medical insurance premiums made by annuitants for their
15 individual coverage. Eligible annuitants or recipients are those annuitants who are
16 not eligible for Medicare and who do not reside in Kentucky or in an area outside of
17 Kentucky where comparable coverage is available. The reimbursement payments
18 shall not exceed the minimum supplement payment that would have been made had
19 the annuitant lived in Kentucky. Eligible annuitants or recipients shall submit proof
20 of payment to the retirement system for hospital and medical insurance that they
21 have obtained. Reimbursement payments shall be made on a quarterly basis.

22 (7) Contracts negotiated may include the provision that a stated amount of hospital cost
23 or period of hospitalization shall incur no obligation on the part of the insurance
24 carrier or the retirement system or any trust fund established for this purpose by the
25 board.

26 (8) The board of trustees is empowered to promulgate administrative regulations to
27 assure efficient operation of the hospital and medical insurance program.

1 (9) Premiums paid for hospital and medical insurance coverage procured under
2 authority of this section shall be exempt from any premium tax which might
3 otherwise be required under KRS Chapter 136. The payment of premiums by the
4 medical insurance fund or another trust fund established by the board for this
5 purpose shall not constitute taxable income to an insured recipient.

6 (10) In the event that a member is providing services on less than a full-time basis under
7 KRS 161.605, the retirement system may pay the full cost of the member's health
8 insurance coverage for the full fiscal year that the member is providing those
9 services, at the conclusion of which, the retirement system may then bill the active
10 employer and the active employer shall reimburse the retirement system for the cost
11 of the health insurance coverage incurred by the retirement system on a pro rata
12 basis for the time that the member was employed by the active employer.

13 ➔Section 107. KRS 61.557 is amended to read as follows:

14 (1) Inasmuch as the takeover of the Kentucky State Employment Service by the federal
15 government, through its United States Employment Service and War Manpower
16 Commission, was recognized by both federal and state governments as a temporary
17 measure during the war emergency, and the employment service was, in fact,
18 returned to the state government at the close of the emergency period, the
19 employees of the service are recognized as employees of the Commonwealth for the
20 purposes of KRS 61.510 to 61.692 during the period of control by the federal
21 government, in the same manner as if they had been employed in another
22 department of the government of the Commonwealth during that period.

23 (2) If a parted employer rejoins a department as a result of the cancellation of a contract
24 or lease arrangement, thereby causing each employee thereof to again become an
25 employee as defined in KRS 61.510(5), the system may negotiate with the publicly
26 held corporation or other similar organizations for payment for the years of service
27 credit under the system for all employees working on the date the contract or other

1 lease arrangement is canceled in order to avoid an impairment in the retirement
2 benefits of the employees, if any payment accepted by the system for the service is
3 based on a formula consistent with the provisions of KRS 61.552 ~~6[(7)]~~. No
4 payment made pursuant to this section shall be picked up by the employer, as
5 described in KRS 61.560(4).

6 ➔Section 108. The following KRS sections are repealed:

7 78.533 Employees of Metropolitan Park and Recreation Board of Jefferson County,
8 credit for former service.

9 78.534 Participation of qualified circuit clerks and deputy clerks -- Transfer of service
10 credit.

11 78.532 Employees formerly employed by private employer -- Credit for former service.

12 78.542 Required participation by retired hazardous members in an elected city or county
13 office on June 21, 2001 -- Election not to participate -- Purchase of service credit.

14 78.545 Matters not specified in KRS 78.510 to 78.852.

15 212.434 Prior service credit.

16 ➔Section 109. All administrative decisions made by the Kentucky Retirement
17 Systems board of trustees prior to July 1, 2017, on behalf of the County Employees
18 Retirement System, including but not limited to approval for hazardous positions,
19 administrative decisions, and disability determinations, shall be implemented on July 1,
20 2017, and shall not be reversed except under the authority granted by KRS 78.510 to
21 78.852 to the County Employees Retirement System board of trustees.

22 ➔Section 110. The three elected trustees of the County Employees Retirement
23 System who are serving as trustees of the Kentucky Retirement Systems immediately
24 prior to the effective date of this Act shall serve as the three elected trustees of the County
25 Employees Retirement System board as provided by Section 46 of this Act and shall
26 serve for the duration of the terms for which they were elected.

27 ➔Section 111. No provisions of this Act shall increase or decrease benefits being

1 paid to retirees, beneficiaries, or recipients of the Kentucky Retirement Systems or the
2 County Employees Retirement System nor shall any provisions of this Act increase or
3 decrease benefits that have accrued to members of the Kentucky Retirement Systems or
4 the County Employees Retirement System on the effective date of this Act.

5 ➔Section 112. The provisions of this Act shall not be construed to limit the
6 General Assembly's authority to amend, reduce, or suspend any provision of KRS 16.505
7 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, that the General Assembly had the
8 authority to amend, reduce, or suspend, prior to July 1, 2017.

9 ➔Section 113. Notwithstanding KRS 12.028(5), the General Assembly confirms
10 Executive Order 2016-340, dated June 17, 2016, to the extent it is not otherwise
11 confirmed or superseded by this Act.

12 ➔Section 114. Sections 1 to 112 of this Act take effect July 1, 2017.